

IPSASB APPLICATION GROUP (IAG)

# Issues Considered and Board Responses

MARCH 2026

**IPSASB APPLICATION GROUP (IAG): ISSUES CONSIDERED AND BOARD RESPONSES**

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## Issue Q3 2025-1: Measurement of Equity Investments

### IPSASB Meeting(s) when Issue was Discussed:

September 2025, December 2025

### Relevant IPSAS Standards:

IPSAS 28, *Financial Instruments: Presentation*, IPSAS 31, *Intangible Assets*, IPSAS 41, *Financial Instruments*, IPSAS 46, *Measurement*

### Key Words

Control, current operational value, equity instrument, lack of contractual cash flows, lack of dividends, restrictions on sale, significant influence, substance over form

### Summary of the Submission

1. The IAG received a submission asking for clarification on the accounting of equity instruments held by a public sector entity, specifically, whether the equity instrument can be measured at current operational value (COV). The entity owns 12.2% of the outstanding shares of a corporation that is wholly owned by a number of unrelated government entities. The objective of the corporation is to secure an uninterrupted supply of salt to mitigate road safety risks, and the corporation achieves this objective by mining, processing, and distributing salt for use on the roads within the shareholders' jurisdictions.
2. The submission noted that control, joint control, or significant influence does not exist, and the equity instrument is within the scope of IPSAS 41, *Financial Instruments*. The submission also noted that the equity instrument cannot be measured at amortized cost as there are no contractual cash flows. Furthermore, despite the presence of an active market for road salt, the submitter indicated that fair value is not an appropriate measurement basis as the sale of the shares is prohibited.
3. The submission considered if paragraph AG3 of IPSAS 41, which allows the use of the equity method via IPSAS 36 for strategic investments, is applicable. The submitter noted that the equity method is not appropriate because:
  - (a) Significant influence does not exist in their view based on the nature of the shares and various restrictions from the shareholder agreement; and
  - (b) The equity method does not capture the service potential or operational purpose in the same way as COV.
4. In the submission's view, holding the equity instruments for strategic reasons, together with the absence of cash flows and the restriction on sale, indicate that the instruments are held for their operational capacity and not for their financial capacity. As a result, the submission concluded that a COV, which reflects the amount an entity would pay to acquire the remaining service potential of an asset at the measurement date (i.e., a COV based on the cost approach), would be the appropriate measurement basis. Based on their conclusion, the submission indicated that there is currently a gap in the measurement guidance for financial instruments, as IPSAS 41 requires the current value of financial instruments to be measured at fair value.

## Analysis by the IAG

5. The IAG discussed the above fact pattern at its November 2025. While the IAG does not advise on the accounting for specific transactions, depending on the specific facts and circumstances, the IAG considered the following:
  - (a) Paragraph 9 of IPSAS 28, *Financial Instruments: Presentation*, defines a financial asset as:
    - (i) Cash;
    - (ii) An equity instrument of another entity; or
    - (iii) A contractual right that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash, another financial asset, or a fixed number of the entity's own equity instruments.
  - (b) Paragraph 9 of IPSAS 28 also defines an equity instrument as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
6. Where the case facts support the investment meets the definition of an equity instrument, and Entity A determines that the restrictions in the shareholders' agreement are not substantive, the investment could fall within the definitions of financial assets and equity instruments. Under this view, the investment would be within the scope of IPSAS 41 and measured at fair value. However, because the instrument is not actively traded, paragraphs AG140-AG143 could be applicable. These paragraphs clarify that in limited circumstances, where insufficient information is available, cost may be an appropriate estimate of fair value.
7. Where case facts support the investment does not, in substance, have the key characteristics of a financial asset or an equity instrument (for example, there appears to be restrictions on dividends, and the sale/liquidation of the investment is restricted), the investment is likely an intangible asset within the scope of IPSAS 31, *Intangible Assets*.
8. Paragraph 16 of IPSAS 31 defines an intangible asset as an identifiable non-monetary asset without physical substances. In this fact pattern, Entity B was set up, in substance, using the legal structure of a corporation to facilitate the supply of salt to the shareholders and the entity was not designed to generate a return to its shareholders. Under this view, the measurement guidance for the intangible assets in IPSAS 31 would be applicable.

## IAG Conclusion

9. Based on the above, the IAG concluded that there is sufficient guidance in existing IPSAS Standards. Therefore, the IAG concluded that no amendments to existing guidance, or the development of additional guidance, is required.

## IPSASB Decision

10. The above issue was discussed at the September 2025 and December 2025 IPSASB Meetings. The IPSASB agreed with the IAG and decided that the above submission regarding the measurement of an equity investment did not require changes to existing guidance or additional guidance.

## Issue Q1 2026-1: Accounting for Digital Currencies Issued by a Central Bank from a Holder's Perspective

**IPSASB Meeting(s) when Issue was Discussed:**  
March 2026

**Relevant IPSAS Standards:**  
IPSAS 28, *Financial Instruments: Presentation*

**Key Words**  
Cash, cryptocurrency, digital currency

### Summary of the Submission

1. A federal government has introduced a Central Bank Digital Currency (CBDC), issued by the Central Bank in the jurisdiction, that mirrors the value of the country's physical fiat currency.<sup>1</sup> That is, the CBDC is convertible with all other forms of the local currency on a 1-to-1 basis.
2. This issuance was accompanied by an amendment to the laws in the jurisdiction to expand the definition of 'currency' to include the CBDC. The amended laws also explicitly state that the paper banknotes, metal coins, and CBDC issued by the Central Bank are "absolute legal tender valid for payment of any amount up to their full face value." References to 'currency', 'cash', 'monetary funds', or 'funds' in all other legislation were also amended to include the CBDC.
3. The submission noted that the CBDC are currently in circulation and accepted as payments at their face value in the jurisdiction. The submission also confirmed that in practice, there are no conditions or restrictions on the use of CBDC which would differentiate the digital currency from other forms of fiat currency in the jurisdiction.
4. The submission noted that an accounting paper published by the Financial Accounting Standards Board (FASB) in the United States concluded that crypto assets, which are similar to digital currencies, could be inventory, intangible assets, or financial assets from the perspective of the holder.
5. To facilitate transacting in CBDC, a regional government holds a balance of the digital currencies. The submission asked the IAG which IPSAS Standard would be applicable to the CBDC from the regional government's (i.e., a holder's) perspective. For clarity, the submission and the IAG's analysis only addresses the accounting by the regional government, which is a separate entity that is independent from the Central Bank or the federal government.

### Analysis by the IAG

6. The IAG noted that, after the publication of the accounting paper referenced in the submission, the FASB updated [US GAAP](#) in December 2023 to require crypto assets that were not created or issued by the reporting entity or its related parties to be accounted for as intangible assets. The amendment requires crypto assets to be subsequently measured at fair value with changes recognized in net income for the reporting period.

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<sup>1</sup> Fiat currency is money issued by a government that is authorized to be legal tender in its jurisdiction. Legal tender is money that is legally required to be accepted as payment of monetary debt.

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7. In addition, the IFRS Interpretations Committee (IFRIC) published a [final agenda decision](#) in June 2019, which stated that cryptocurrencies can be intangible assets or inventory depending on the entity's reasons for holding the asset, but they are not financial assets as they do not meet the definition of financial assets in IAS 32, *Financial Instruments: Presentation*. The decision noted that paragraph AG3 of IAS 32 states that currency (cash) is a financial asset because it represents the medium of exchange and is therefore the basis on which all transactions are measured and recognized in the financial statements. The IFRIC observed that the existing cryptocurrencies at the time of the decision were not used as a medium of exchange or as the monetary unit used in the pricing of goods or services. Therefore, the IFRIC concluded that such cryptocurrencies are not considered cash.
8. The IFRIC decision also explicitly noted that it only applies to cryptocurrencies with certain characteristics, one of which is that the cryptocurrency is not issued by a jurisdictional authority. Given that the digital currency in the submission is issued by a jurisdictional authority, the IFRIC decision may not apply to the CBDC. However, as paragraph AG10 of IPSAS 28, *Financial Instruments: Presentation*, is aligned with paragraph AG3 of IAS 32, the factors considered by the IFRIC could be applied to determine if the CBDC can be considered cash.
9. Paragraph AG10 of IPSAS 28 states:

“Currency (cash) is a financial asset because it represents the medium of exchange and is therefore the basis on which all transactions are measured and recognized in financial statements. A deposit of cash with a bank or similar financial institution is a financial asset because it represents the contractual right of the depositor to obtain cash from the institution or to draw a check or similar instrument against the balance in favor of a creditor in payment of a financial liability. Unissued currency does not meet the definition of a financial instrument. An entity applies paragraph 13 of IPSAS 12, Inventories in accounting for any unissued currency. Currency issued as legal tender from the perspective of the issuer, is not addressed in this Standard.”

(The discussion regarding holdings of unissued currency and the issuance of legal tender are not relevant to the submission, as these issues are only applicable from the perspective of the issuer.)
10. Applying the factors used by the IFRIC, the IAG discussed how, based on the case facts provided, the CBDC could be considered cash (i.e., subject to the recognition, measurement, presentation and disclosure requirements in IPSAS 28, IPSAS 30, and IPSAS 41) if the facts support the following:
  - (a) The CBDC is considered the jurisdiction's legal tender and represents a medium of exchange. Based on the facts provided, the CBDC and physical currencies appear to be interchangeable, and both are considered legal tender; and
  - (b) The CBDC forms the basis on which all transactions are measured and recognized in the financial statements. Based on the facts provided, the CBDC appears to have the same value as physical currency. Therefore, it could form the basis on which all transactions are measured and recognized.
11. The IAG also noted that there is precedent for similar digital currencies, such as the Digital Renminbi in China, to be accounted for as cash by the holder under local accounting standards which are largely aligned with IFRS.

### **IAG Recommendation**

12. Based on the above, the existing guidance in IPSAS 28 could be applied to reach a potential conclusion that the CBDC is classified as cash in the financial statements. However, the IAG noted

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that because of the previous positions from the IFRIC agenda decision and US GAAP, there could be diversity in practice that should be addressed.

13. In addition, the accounting for digital currencies from a holder's perspective is expected to have significant and widespread impacts in both the public and private sectors. As the principles regarding financial instruments in IFRS Accounting Standards and IPSAS Standards are aligned, the IAG recommends that the IPSASB work with the IASB to determine an appropriate path forward to ensure consistency across both frameworks.

### **IPSASB Decision**

14. The above issue was discussed at the March 2026 IPSASB Meeting. The IPSASB instructed the IPSASB staff to connect with IASB staff to understand the guidance and any ongoing work to develop guidance on the accounting for digital currencies from the holder's perspective.

## Issue Q1 2026-2: Accounting for the Transfer of Assets Without Consideration Between Government Entities under the Authority of a Single Controlling Authority

### IPSASB Meeting(s) when Issue was Discussed:

March 2026

### Relevant IPSAS Standards:

IPSAS 1, *Presentation of Financial Statements*, IPSAS 12, *Inventories*, IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, IPSAS 31, *Intangible Assets*, IPSAS 45, *Property, Plant, and Equipment*, IPSAS 46, *Measurement*, IPSAS 47, *Revenue*

### Key Words

Common control, intercompany transfers, non-exchange transactions

### Summary of the Submission

1. The IAG received a question regarding transfer of assets between government entities at the direction of a single controlling entity. These transfers are made without any payment of consideration, and on a consolidated basis, the transferred assets remain within the same economic entity. (These transfers are hereafter referred to as “common control transfers”.)
2. The submission also noted the following:
  - (a) The entities involved with the transfer of assets generally apply the historical cost model for subsequent measurement;
  - (b) The transfer does not change the economic substance for the controlling government entity, and in the submitter’s view, the current value remeasurement provides no incremental decision-useful information at the consolidated level, as the government applies the cost model; and
  - (c) The assets in these transfers do not meet the definition of “operation” under IPSAS 40, *Public Sector Combinations*.
3. The submission noted that, based on their understanding, current IPSAS Standards require assets in common control transfers to be remeasured at current value, even though such remeasurements are eliminated upon consolidation and have no effect on the government’s consolidated financial position. As the assets are generally measured using the historical cost model, the remeasurements at the individual entity level result in undue administration burden.
4. The submission’s view that common control transfers results in remeasurements to current values is based on the initial measurement requirements for non-exchange transactions in IPSAS 12, *Inventories*, IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*<sup>2</sup>, IPSAS 31, *Intangible Assets*, IPSAS 45, *Property, Plant, and Equipment*, and IPSAS 46, *Measurement*. For example, paragraph 12 of IPSAS 45, which requires in-scope assets acquired in a non-exchange transaction to be measured at deemed cost. Paragraph 10 of IPSAS 46 requires a current value measurement basis to be used to determine deemed costs in such circumstances.

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<sup>2</sup> The guidance on similar transactions in IPSAS 47, *Revenue*, is consistent with the guidance in IPSAS 23.

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5. The submission noted that in the private sector, IFRIC 17, *Distributions of Non-cash Assets to Owners*, requires non-cash distributions to owners to be measured at fair value, but distributions which do not result in a change of control over the assets are excluded from this requirement. The scope exclusion in IFRIC 17 has been interpreted to mean that transactions such as common control transfers should be recorded at the asset's carrying amount instead of fair value. A similar exception would be helpful in reducing administrative burden in the public sector.
6. The submission asked if the IPSAS Standards should allow an exception for these transfers to be measured for at their carrying amount, similar to the common control exception applied in IFRS literature.

### Analysis by the IAG

7. The IAG noted that common control transactions could be considered transactions between the individual entities and the controlling entity. Per paragraph 122 of IPSAS 1, *Presentation of Financial Statements*:

“Contributions by, and distributions to, owners include transfers between two entities within an economic entity (for example, a transfer from a government, acting in its capacity as owner, to a government department). Contributions by owners, in their capacity as owners, to controlled entities are recognized as a direct adjustment to net assets/equity only where they explicitly give rise to residual interests in the entity in the form of rights to net assets/equity.”
8. While the paragraph does not provide an example of common control transfers, such transfers are, in substance, a transfer of assets from the transferor entity to the controlling entity, followed by an immediate transfer of those assets from the controlling entity to the recipient entity. As a result, the common control transfers noted in the submission could be considered contributions by, and distributions to, owners.
9. However, the IAG noted that paragraph 122 of IPSAS 1 only provides guidance on ‘where’ to account for transactions with owners (i.e., in net assets/equity and not as revenue or expenses) and does not provide guidance on how to measure these transactions. There is also no explicit guidance elsewhere in the IPSAS Standards regarding the measurement of common control transfers at the individual entity level. As a result, the IAG noted that such transactions could be measured by the individual entity using one of the following two approaches:
  - (a) Common control transfers are measured at current value in accordance with IPSAS 46 as non-exchange acquisition of assets that are within the scope of IPSAS 12, IPSAS 31, or IPSAS 45 depending on the nature of the asset; or
  - (b) Common control transfers are measured at carrying amount on the basis that they are transactions between the individual entities and the controlling entity in its capacity as an owner, and an accounting policy on measurement should be developed based on principles in existing IPSAS Standards and other accounting frameworks.

### *View 1: Common Control Transfers are Measured at Current Value Using the Guidance on the Acquisition of Assets from Non-Exchange Transactions*

10. Under this view, the measurement of a common control transfer should be consistent with an acquisition of assets from a non-exchange transaction. The IAG noted that IPSAS 12, IPSAS 31, and IPSAS 45 do not explicitly scope out transactions with owners. Therefore, these standards could be applied to require the assets received from common control transfers to be measured at deemed

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cost. IPSAS 46 then requires deemed cost to be measured at current value, which is either fair value or current operational value depending on the entity's reasons for holding the asset.

11. Under this view, because there is already applicable measurement guidance in the IPSAS Standards noted above, there would be no need to consider applying the principles from other IPSAS Standards or other accounting frameworks by analogy.
12. Economically, the measurement of transferred assets at deemed cost could provide relevant information on the financial position of each individual entity.

### *View 2: Common Control Transfers are Measured at the Assets' Carrying Amounts*

13. If common control transfers are considered transactions with owners addressed by paragraph 122 of IPSAS 1, the paragraph could be interpreted to mean that these transactions are not considered non-exchange acquisitions of assets within the scope of IPSAS 12, IPSAS 31, or IPSAS 45. Under this view, the measurement guidance noted in paragraph 10 of this paper would not be applicable, so an accounting policy would need to be developed using the hierarchy from paragraphs 12–15 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.
14. The IAG noted a policy to measure common control transfers at carrying amount could be developed based on the following:
  - (a) IPSAS 40, *Public Sector Combinations*, provides guidance on amalgamations, which are similar to common control transfers, as amalgamations also do not result in a change of control. IPSAS 40 requires the identifiable assets and liabilities in an amalgamations to be measured at their carrying amounts. The Standard explicitly does not apply to the acquisition of assets or assumption of liabilities that do not constitute an operation; however, the guidance on measurement at carrying amount can be applied by analogy; and
  - (b) As noted in the submission, the scope exclusion in IFRIC 17 has been applied in practice in the private sector so that common control transfers are recorded at the transferred asset's carrying amount. Although IFRIC 17 has not been adapted into the IPSAS Standards, the guidance can be applied through the hierarchy in IPSAS 3. The IAG did note in September 2025, the IPSASB considered whether to develop public sector guidance based on IFRIC 17 and concluded transactions in scope of the interpretation were not prevalent in the public sector.
15. Economically, measuring a common control transfer at the asset's carrying amount would reflect the fact that such transactions are typically carried out for administrative purposes and do not represent a transaction with economic or commercial substance from a consolidated group perspective.

### **IAG Recommendation**

16. The IAG noted that because there is currently no explicit guidance on how to measure common control transfers, the use of current value or carrying amount are both supportable based on differing interpretations of existing IPSAS Standards, as noted in paragraphs 10–15. Due to this lack of clarity, there could be diversity in practice leading to inconsistent accounting for similar transactions. As a result, the IAG recommend that the IPSASB direct staff to undertake research to identify potential ways forward to address this potential inconsistency.

### IPSASB Decision

17. The above issue was discussed at the March 2026 IPSASB meeting. The IPSASB instructed staff to research reporting alternatives for the IPSASB to consider on the transfer of assets (which are not an operation) between entities under common control.

## Issue Q1 2026-3: Valuation of Heritage Assets

### IPSASB Meeting(s) when Issue was Discussed:

March 2026

### Relevant IPSAS Standards:

IPSAS 45, *Property, Plant, and Equipment*, IPSAS 46, *Measurement*

### Key Words

Artwork, current operational value, current value, heritage asset, insurance value, reliable measurement, valuation

### Summary of the Submission

1. The IAG received a query regarding the measurement of heritage assets consisting of a collection of artwork within the scope of IPSAS 45, *Property, Plant, and Equipment*.
2. Based on the facts provided, the artwork collection has the following characteristics:
  - (a) The items are considered irreplaceable and are subject to policies which require their preservation in perpetuity and prohibit their disposal or sale;
  - (b) The artworks are individually insured at a value determined by management's appraisers and curators, but the submission noted that there is a lack of clarity on whether such a value can form the valid basis for a current value measurement. If not, a reliable measurement is not possible due to limited comparable market data, the unique and fragile nature of the artwork, and the absence of verifiable historical cost records.
3. The submission noted that there appears to be diversity in practice as they have observed that some jurisdictions have made the assertion that similar collections of artwork cannot be reliably measured, while in other jurisdictions, the auditors did not accept this assertion and issued an adverse opinion for collections that were not valued.
4. Based on this background information, the submission asked the following specific questions:
  - (a) Can a reliable valuation be obtained for permanent art collections kept at a national gallery?
  - (b) Do insurance values of artworks constitute a basis for reliable measurement?
  - (c) Can insurance values be used as deemed cost?
  - (d) Does management have an avenue to evoke paragraph 77 of IPSAS 45 to argue that cost or current value cannot be reliably measured?
  - (e) Is it acceptable to only recognize artworks that were purchased at cost and deem the other artwork that is donated as not having a reliable value?
5. The submission noted that for situations where the asset cannot be reliably measured, the entity shall disclose information regarding the asset as required in IPSAS 45. However, the submission also noted that there is no guidance on what is considered 'reliable information' or whether insurance values can be used as the basis for current value in in IPSAS 45.

### Analysis by the IAG

6. The IAG noted that whether a reliable current value measure can be obtained for a permanent art collection requires judgment and depends on the specific characteristics of the items in the collection.

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Where a current value measure is required, IPSAS 46 provides guidance on the determination of current operational value and fair value in Appendix B and Appendix D, respectively.

7. Similarly, whether insurance values constitute a basis for reliable measurement will depend on the specific facts and circumstances of the insurance contracts. Some insurance values are based on an asset's current replacement cost, which could be used to estimate the asset's current value if its determination is consistent with the requirements of IPSAS 46.
8. On the determination of whether cost or current value can be reliably measured, paragraph 23 of IPSAS 45 states:

“The current value of an asset is reliably measurable if the variability in the range of reasonable current value measurements is not significant for that asset, or the probabilities of the various estimates within the range can be reasonably assessed and used when measuring current value...”
9. A range of reasonable values that is significantly wide or probabilities of the various estimates that cannot be reasonably assessed could indicate that the current value cannot be reliably measured. In these situations, the disclosures in paragraph 77 of IPSAS 45 would be applicable.
10. Finally, assets are recognized and measured on an asset-by-asset basis. There could be situations where the recognition and measurement of specific items in an art collection is straightforward (e.g., art purchased in a market transaction that is recognized and measured at cost) while other items in the same collection cannot be reliably measured (e.g., art that was obtained from a non-exchange transaction such as a donation).

### **IAG Recommendation**

11. The IAG noted that there is relevant guidance in the IPSAS Standards which sufficiently addresses the questions in the submission. As a result, changes to existing guidance or the development of additional guidance are not required.

### **IPSASB Decision**

12. The above issue was discussed at the March 2026 IPSASB meeting. The IPSASB agreed with the IAG and decided that the above submission regarding the measurement of artwork does not require change to existing guidance or additional guidance.

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