

Five example questions from the Certificate in International Public Sector Accounting Standards (CertIPSAS) assessment

1 To develop its IPSASs, the IPSASB actively draws on extant IFRSs and IASs as a basis.

Which one of the below statements is incorrect in regards to this process?

- A The IPSASB considers if there are any public sector issues within any given IFRS that warrants departure for the public sector
- B The IPSASB can use an existing IFRS or IAS as the basis for developing an IPSAS
- C The IPSASB considers financial reporting subject matters that are public sector specific and for which there is no underlying IFRS/IAS
- D The majority of IPSASs are an exact copy of the underlying IFRSs or IASs

The correct answer is D.

IPSASB has issued a paper entitled the process for reviewing and modifying IASB documents. This paper describes how the IPSASB modifies IFRSs and IASs to fit the public sector.

2 A medical clinic purchased a property on 1 January 20X1 for \$1.5m, when its estimated useful life was 20 years.

On 31 December 20X3 the property was revalued to \$1.7m and on 31 December 20X6 the property was sold for \$1.5m.

What should be recorded in the statement of surplus or deficit for 20X6 in relation to the property?

- A Depreciation of \$100,000 and profit on disposal of \$450,000
- B Depreciation of \$85,000 and profit on disposal of \$55,000
- C Depreciation of \$75,000 and profit on disposal of \$450,000
- D Depreciation of \$100,000 and profit on disposal of \$100,000

The correct answer is D.

The property was revalued on 31 December 20X3 when the remaining useful life is 17 years. Annual depreciation after the revaluation is therefore $\$1.7\text{m}/17 \text{ years} = \$100,000$.

At the date of disposal the net book value of the property is $\$1.7\text{m} - (3 \times \$0.1\text{m}) = \$1.4\text{m}$. Gain on disposal is therefore $\$1.5\text{m} - \$1.4\text{m} = \$0.1\text{m}$.

3 Under IPSAS 26 (Impairment of Cash-Generating Assets), value-in-use is defined as:

- A The market value
- B The asset's fair value less its cost to sell
- C The amount at which the asset was first recognised in the statement of financial position.
- D The present value of the estimated future cash flows expected to be derived from the continuing use of an asset plus its disposal at the end of its useful life

The correct answer is D.

IPSAS 26 definition paragraph 13.

4 Following IPSAS 20 (Related Party Disclosures), which one of the below is not necessarily a related party for a municipality?

- A The senior management team of the municipality
- B An associate of the municipality
- C An entity providing financing for a project run by the municipality
- D Elected members of the municipality

The correct answer is C.

Providers of finance are listed in para 13 of IPSAS 20 as not necessarily being related parties.

5 If a government elects to follow IPSAS 22 and present disclosures about the general government sector (GGS) which of the below are true?

- A The financial information about the general government sector shall include net information on public financial corporations
- B The financial information about the general government sector must be prepared in accordance with the statistical bases of financial reporting
- C The consolidated financial statements must exclude the financial results of public financial corporations
- D None of the above statements are true

The correct answer is A.

The consolidated financial statements should be prepared on the accrual basis in accordance with IPSASs and therefore include all entities controlled by government which would include public financial corporations. The financial information about the GGS should be prepared on the same basis. The financial information about the GGS would not require consolidation of the financial results, assets and liabilities of public financial corporations, but would need to record them as investments based on their carrying values.