Public Sector Accounting Board
145 King Street West, Suite 500
Toronto, ON Canada M5H 1J8
T. 416 204-3451
www.frascanada.ca

July 6, 2026

**International Public Sector Accounting Standards Board (IPSASB)**
**70 York Street, Suite 710**
**Toronto, ON M5J 1S9 Canada**

**Re: Response to Exposure Draft 95, *Improvements to IPSAS Accounting Standards – Volume 10***

Thank you for the opportunity to provide input on the IPSASB's Exposure Draft 95, *Improvements to IPSAS Accounting Standards – Volume 10* (ED 95).

PSAB acknowledges the IPSASB's continued commitment to developing high-quality International Public Sector Accounting Standards (IPSAS) and supports its ongoing efforts to maintain and enhance the IPSAS suite. We also value our continued collaboration with the IPSASB. While we appreciate the objective of the proposed amendments, we have some concerns with the proposed amendments outlined in ED 95 to IPSAS 41, *Financial Instruments,* relating to the derecognition of financial liabilities. The views outlined in this letter were informed through consultations with PSAB's Public Sector Accounting Discussion Group, Financial Instruments Group of Experts and Technical Advisory Group, and have been further explained below.

We do not have any comments to provide in relation to the requested Specific Matter for Comment.

We hope that you find our comments and insights below helpful. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Michael Puskaric, Director, Public Sector Accounting Standards Board (+1 416 204-3451 or email mpuskaric@psabcanada.ca).

Kind regards,

Andrew Newman, FCPA, FCA
Chair, Public Sector Accounting Board
anewman@psabcanada.ca

## Relevant Area of Concern

Amendments to IPSAS 41, *Financial Instruments (IPSAS 41)*, paragraphs AG16A, AG47A – AG47C.

## PSAB Response:

PSAB has some concerns relating to the proposed amendments to IPSAS 41 provided under paragraphs AG16A, and AG47A – AG47C. Through consultation with PSAB's Public Sector Accounting Discussion Group, Financial Instruments Group of Experts and Technical Advisory Group, PSAB's concerns have been summarized below.

**Primary Concerns:**

As the IPSASB's IPSAS improvements process is intended to propose "…minor improvements to accrual basis IPSAS Standards…"[1], PSAB questions whether these proposed amendments appropriately fall into the scope of IPSASB's IPSAS improvements process. Specifically, the use of manual cheques within the Canadian public sector environment is quite widespread. Accordingly, the proposed amendments to IPSAS 41 may result in significant changes in practice for all public sector entities who use payment formats other than electronic payment systems (e.g., manual cheques). Given this, PSAB questions whether the nature of the proposed amendments to IPSAS 41 meet IPSASB's definition of "…minor improvements to accrual basis IPSAS Standards…"[1] for inclusion through IPSASB's IPSAS improvements process.

As the proposed amendments to IPSAS 41 are based upon the equivalent IFRS 9 amendments adopted by the IASB in May 2024, PSAB reviewed the underlying IFRS 9 Basis for Conclusions document to gain further insight into the IASB's rationale for issuing its IFRS 9 Amendments (relating specifically to the derecognition of financial liabilities). Paragraphs IFRS 9.BC3.37 – 9.BC3.48 of the Basis for Conclusions document accompanying IFRS 9 provide background context explaining that the IASB's objective was to clarify the financial liability "settlement date" definition. To help practically determine this "settlement date" however, the IASB applied payment methodologies/formats for determining when settlement risk may or may not be "insignificant"[2] (i.e., payments made through electronic payment systems vs. other payment methodologies/formats (e.g., cheques, etc.)).

A key distinction from the private sector (applying IFRS) is that some financial statement preparers in public sector entities may not have the ability to change, direct, or determine the payment methodology/format for certain obligations. In Canada, for example, taxpayers elect the format over which they wish to receive income tax refunds and other social benefit payments (e.g., Old Age Security, Canadian Pension Plan, Disability Insurance, etc.). As a result, the timing of derecognition for the same financial liability would vary based upon the payment method selected by each recipient. This is problematic both operationally and from a risk management perspective, as it introduces inconsistent derecognition patterns based upon payment format elected.

---

[1] Source: [Exposure Draft (ED) 95, Improvements to IPSAS Accounting Standards – Volume 10 | IPSASB]().

[2] Paragraph IFRS 9.B3.3.8 states: "Despite the requirement in paragraph B3.1.2A to derecognise a financial liability on the settlement date, when settling a financial liability (or part of a financial liability) in cash using an electronic payment system, an entity is permitted to deem the financial liability (or part of it) to be discharged before the settlement date if, and only if, the entity has initiated a payment instruction that resulted in:
(a) the entity having no practical ability to withdraw, stop or cancel the payment instruction;
(b) the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
(c) the settlement risk associated with the electronic payment system being insignificant."

Conversely, if an entity can influence or modify the payment methods it offers, it increases the potential risk that the entity could manage its liabilities by changing those payment methods.

Given the above, we ask the IPSASB to consider this public sector-specific factor when determining the proposed amendments to IPSAS 41 related to the derecognition of financial liabilities.

Finally, the significant implementation costs required for public sector entities to adopt the proposed amendments to IPSAS 41 will be overly burdensome. As was previously mentioned, the use of manual cheques is quite widespread within Canadian public sector environment. Therefore, the implementation of the proposed amendments to IPSAS 41 would require significant changes to internal processes and IT systems across all public sector entities employing payment formats other than electronic payment systems, which would prove to be quite costly. Given the limited nature of public sector resources, PSAB questions:

i. whether the overall benefits gained through adoption of the proposed amendments to IPSAS 41 would outweigh the significant implementation costs required by these public sector entities; and

ii. whether the public interests may be better served through allocation of these limited public resources to the public sector entity's other priorities.

**Secondary Concerns:**

In addition to the primary concerns outlined above, several secondary concerns relating to IPSASB's proposed amendments to IPSAS 41 relating to the derecognition of financial liabilities have been identified based upon the Canadian public sector experience:

- The historical practice for derecognizing financial liabilities (and the related cash payments not made through electronic payment systems) at the point of cheque issuance is well established within the Canadian public sector. Additionally, no gaps or diversity in practice have been identified within the Canadian public sector relating to the derecognition of financial liabilities for payments made outside of electronic payment systems. Furthermore, the original private sector concerns raised to the IASB that prompted the IFRS 9 amendments (i.e., uncertainty about when a right to receive cash is extinguished for electronic payments[3]) have not been similarly raised by the Canadian public sector to PSAB. Accordingly, the proposed amendments to IPSAS 41 do not address any specifically identified issues within the Canadian public sector environment.

---

[3] Paragraphs IFRS 9.BC3.37 - .BC.3.39, and .BC3.41 of the Basis for Conclusion supporting IFRS 9, *Financial Instruments*, states:

BC3.37 "The IFRS Interpretations Committee (Committee) received a request about the date on which the right to receive cash (or another financial asset) is extinguished for a payment received via electronic transfer as settlement for a financial asset."

BC3.38 The Committee concluded that an entity, applying paragraphs 3.2.3(a) and 3.1.1 of IFRS 9, is required:
(a) to derecognise a trade receivable on the date on which its contractual rights to the cash flows from the trade receivable expire; and
(b) to recognise the cash (or other financial asset) received as settlement for that trade receivable on the same date."

BC3.39 Feedback on the Committee's work did not disagree with its technical analysis and conclusions. However, many stakeholders were concerned about the potential operational outcome of applying that accounting within a short time frame, especially with regard to financial liabilities."

…

BC3.41 Therefore, to facilitate a consistent approach with regard to the application of the requirements in IFRS 9, the IASB decided:
(a) to clarify on which date an entity is required to recognise or derecognise financial assets or financial liabilities unless paragraph 3.1.2 of IFRS 9 applies (see paragraphs BC3.44–BC3.45); and
(b) to develop new requirements to permit an entity to derecognise, before the settlement date, a financial liability that will be settled in cash using an electronic payment system (see paragraphs BC3.46–BC3.63)."

- While PSAB acknowledges that financial statement reporting differences exist between Canadian public sector entities applying PSAS vs. other sovereign jurisdictions who apply IPSAS, PSAB noted that the proposed amendments to IPSAS 41 related to the derecognition of financial liabilities do not materially affect a public sector entity's net assets/equity position under IPSAS, nor the net assets/liability indicator reported under PSAS. Accordingly, PSAB questions the relevance and benefits that these specific proposed amendments to IPSAS 41 will provide to the public sector, as Canadian public sector liabilities are typically settled with individual taxpayer recipients or other government organizations, whereas private sector liability payments are generally made to other entities.

When reviewing the proposed amendments to IPSAS 41 provided under paragraphs AG16A, and AG47A – AG47C within ED 95, PSAB recommends that the IPSASB consider the above concerns raised.