United Nations

Policy Framework

for

International Public Sector Accounting Standards

Second Edition
(Final Version)

OVERVIEW

The United Nations is working towards the adoption of the International Public Sector Accounting Standards (IPSAS) in tandem with the move to IPSAS across the organizations of the United Nations System. The first set of IPSAS-compliant financial statements for the United Nations Secretariat is scheduled for the fiscal year 1 July 2013 to 30 June 2014 for the peacekeeping operations and 1 January 2014 to 31 December 2014 for all other reporting entities of the Secretariat.

The UN IPSAS Policy Framework is designed to support understanding of IPSAS and, demonstrate how these standards will be applied at the United Nations to give guidance in transitioning to IPSAS and preparing IPSAS-compliant financial statements. This UN IPSAS Policy Framework considers and builds on the system-wide platform of IPSAS-compliant policies and guidelines prepared to facilitate the harmonization of IPSAS-compliant financial reporting across the United Nations system. The policy framework is designed to be applicable to all reporting entities of the UN Secretariat.

Development of the First Edition of the UN IPSAS Policy Framework

Version 1 of the UN IPSAS Policy Framework which was prepared by the UN IPSAS Team was updated to Version 2 through a consultative process among internal stakeholders across the UN Secretariat. Version 2 was issued for final comments on 21 February 2012 and has been progressed through Version 3 to this Final Version incorporating, as appropriate, the final comments from all stakeholders including the Board of Auditors and the IAAC.

Development of the Second Edition of the UN IPSAS Policy Framework

The Second Edition of the UN IPSAS Policy Framework was produced as a result of issues emerging during the preparation of the Corporate Guidance documents which provide detailed guidance on the implementation of the IPSAS policies; the Second Edition of the UN IPSAS Policy Framework was also informed by a review of the first edition by external consultants and internal stakeholders.

This Second Edition of the UN IPSAS Policy Framework may be further refined and updated to a third edition as IPSAS implementation progresses.

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Assistant Secretary General, Controller
27 August 2013

PURPOSE

The UN IPSAS Policy Framework is intended to establish policy and give guidance on the application of IPSAS. It is not exhaustive and therefore should be used as a tool to complement the standards and other professional accounting pronouncements as applicable. Professional accounting judgment should be used in attaining IPSAS compliance.

The final authority for any IPSAS area remains with the respective standard, issued by the International Public Sector Accounting Standards Board (IPSASB), and other accompanying implementation guidance issued by the Board. Should a conflict arise between this policy framework and the relevant IPSAS standard, the requirements of the standard prevail.

Concepts and definitions included in this policy framework, in some cases, represent extracts from the Handbook of International Public Sector Accounting Pronouncements 2011 Edition, published by the International Federation of Accountants (IFAC); credit is hereby extended to IFAC and the IPSASB.

This policy framework is intended for the United Nations internal purposes only.

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ABBREVIATIONS

ASHI	After Service Health Insurance
CEB	UN System Chief Executives Board for Coordination
DSA	Daily Subsistence Allowance
ED	Exposure Draft
FI	Financial Module
FIFO	First-in, first-out
GEF	Global Environment Fund
HLCM	High-Level Committee on Management
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
NGO	Non-Governmental Organization
PO	Purchase Order
PP&E	Property, Plant and Equipment
RB	Regular Budget
STAP	Scientific and Technical Advisory Panel
TCF	Technical Cooperation Funds

UNDP	United Nations Development Programme
UN	United Nations
UNJSPF	United Nations Joint Staff Pension Fund
UNORE	United Nations Operational Rates of Exchange
UNSAS	United Nations System Accounting Standards
US DOLLARS	United States Dollars

Introduction

1. THE DECISION TO ADOPT IPSAS

The United Nations has been preparing their financial statements in accordance with the United Nations System Accounting Standards (UNSAS) since 1993. UNSAS was developed by accounting professionals within the United Nations system based on International Accounting Standards (IAS). When UNSAS was first approved, it was considered to represent high-quality accounting standards in comparison to standards applied by comparable organizations.

However, in recent years, UN accounting professionals and auditors have recognised that UNSAS has not kept pace with best practices in the rapidly changing international accounting environment. In this context, the United Nations System Chief Executives Board for Coordination (CEB) High-Level Committee on Management (HLCM) commissioned its Task Force on Accounting Standards to review the possibility of the United Nations adopting external accounting standards. This review concluded that International Public Sector Accounting Standards (IPSAS) represent international best practices for public sector entities and intergovernmental international organizations and that IPSAS adoption would improve the quality, comparability and credibility of the financial reporting of the UN. This conclusion was endorsed by the HLCM's Finance and Budget Network. On 30 November 2005, the HLCM recommended that all the United Nations system organizations adopt IPSAS; in April 2006, the CEB endorsed the HLCM recommendation.

Following this, the Secretary-General, in his report dated 12 May 2006 (A/60/846/Add.3), sought approval of IPSAS adoption by the United Nations as part of the system-wide adoption of IPSAS. The report viewed the adoption of IPSAS as a vital component of the United Nations' drive to excel as a modern, progressive Organization, and emphasized the benefits for improved governance, accountability and transparency. On 7 July 2006, the General Assembly, in resolution 60/283, approved the adoption of IPSAS for the United Nations.

In 2006, the HLCM established a jointly funded system-wide project to support the development of a harmonized framework of IPSAS-compliant policies and to achieve economies in addressing common IPSAS implementation issues across the United Nations system organizations. By the end of 2007, the system-wide project had developed a portfolio of IPSAS-compliant policies and guidelines that has been accepted by the United Nations system organizations as providing a stable platform for facilitating harmonization of IPSAS-compliant financial reporting across the United Nations system. This UN IPSAS Policy Framework considers and builds on the system-wide platform of IPSAS-compliant policies and guidelines.

2. IMPACT AND BENEFITS OF IPSAS

MOVE TO ACCRUAL BASIS ACCOUNTING

With the adoption of IPSAS, the United Nations will move from the current United Nations System Accounting Standards (UNSAS) that were developed internally by accountants within the United Nations system. Compliance with IPSAS requires the introduction of the full accrual basis of accounting, which is accepted best practice and is a significant change from the modified cash basis of accounting applied under UNSAS. The full accrual basis of accounting requires the recognition of transactions and events when they occur (and not only when cash or its equivalent is received or paid), and the reporting in the financial statements of the fiscal periods to which they relate.

Compared to UNSAS, IPSAS requires the capture and presentation of more details of the assets, liabilities, revenue and expenses of an organization. For example, IPSAS requires the presentation in the financial statements of all assets acquired, including real property, equipment and intangible assets, and their gradual depreciation or amortization over their period of use; such detailed requirements will necessitate improved stewardship of the organizations' assets. IPSAS adoption will also lead to more accurate recognition of liabilities resulting from past transactions and events, including a comprehensive recognition of all employee benefit liabilities. These changes will require improvements in the Organization's control framework and will allow for enhanced management of resources and improved decision making. More comprehensive information about revenue and expenses will better support strategic planning and results-based management.

Financial statements of the Organization prepared under the detailed requirements of IPSAS will allow for improved comparability over financial periods as well as with the financial statements of other UN organizations and other entities applying IPSAS. Overall, the application of independent, internationally accepted accounting standards will lend increased credibility to the financial statements of the United Nations.

PRESENTATION OF THE FINANCIAL STATEMENTS

The application of IPSAS entails substantial modifications to the presentation and structure of the United Nations financial statements. More importantly, audited financial statements are required on an annual basis.

In particular, the primary financial statements no longer refer to the different categories of funds, but show a single, aggregated position for the reporting entity. New statements, such as changes in net assets, are required and detailed note disclosures including segment information and a reconciliation of financial statements to budget are to be provided.

THE IMPACT OF IPSAS

IPSAS are the accounting standards that will guide the future presentation of the financial statements of the Organization. However, the implementation of IPSAS goes far beyond the accounting function; as IPSAS-compliant accounting policies are put in place, there is a need to change procedures, detailed workflows and instructions, as well as the control framework that underpin financial accounting and reporting. The result will be a major organizational change impacting the business process and general management. Thus, the success of IPSAS implementation depends on the cooperation and efforts of a large number of UN staff at Headquarters, at the Offices away from Headquarters, and at the field missions and other offices.

It has been recognised that the vigorous information requirements to produce IPSAS-compliant financial statements for the Organization will necessitate a change to a robust, global information system; the Umoja Project, which was approved by the General Assembly in conjunction with the IPSAS Project, is tasked with providing the information system that will be the backbone for the implementation of IPSAS.

3. THE IPSAS BOARD

The International Public Sector Accounting Standards Board (IPSASB) is the body that develops IPSAS. The IPSASB is an independent standard-setting body designated by, and operating under the auspices of, the International Federation of Accountants (IFAC).

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. The organization, through its independent standard-setting boards, sets international standards of ethics, auditing and assurance, education and public sector accounting.

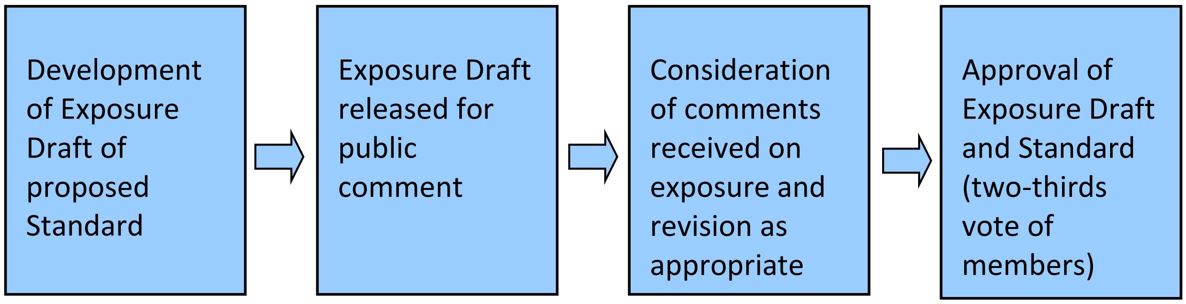
The goal of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This is done with the aim of enhancing the quality and transparency of public sector financial reporting and strengthening public confidence in public sector financial reporting.

The IPSASB consists of 18 volunteer members from around the world with experience and expertise in public sector financial reporting. Members are appointed by the IFAC Board based on recommendations from the IFAC Nominating Committee. The IPSASB also includes observers, who attend IPSASB meetings with full rights of the floor, but who do not have voting rights on the issuance of exposure drafts or IPSAS standards. The United Nations and the United Nations Development Programme (UNDP) both hold observer positions with the IPSASB.

The IPSASB follows a rigorous and transparent due process in the development of IPSAS. This process provides the opportunity for all those interested in financial reporting in the public sector, including those preparers and users directly affected by IPSAS, to make their views known to the IPSASB and ensure that those views are considered in the standards development process.

DUE PROCESS

The due process is as outlined below:



The most up-to-date version of IPSAS is currently contained in the 2013 edition of IFAC's Handbook of International Public Sector Accounting Pronouncements. To obtain a copy of this and for further information, the IPSASB has its own website (http://www.ipsasb.org). This website includes the following:

- IPSAS standards, information papers and consultation papers approved by the IPSASB
- Outstanding exposure drafts
- Comments on exposure drafts
- Meeting agendas and agenda papers
- Meeting minutes
- List of IPSASB members along with their biographies
- French and Spanish translations of 2007

4. OVERVIEW OF IPSAS STANDARDS

Currently, there are 32 accrual basis IPSAS standards. If a standard does not exist for a particular area, the Organization is encouraged to look to pronouncements of the International Accounting Standards Board (IASB) including International Financial Reporting Standards (IFRS) for relevant guidance. The IFRS and other guidance standards are developed by standard setting bodies.

This policy framework is based on the requirements of the IPSAS standards. This policy framework will be updated when there is amendment to the current standards or on issuance of new standards that impact this document.

Directly Related Standards

These standards directly relate to the operations of the United Nations Secretariat:

IPSAS 1 Presentation of Financial Statements: Sets out the overall considerations for the presentation of financial statements; offers guidance for the structure of these statements and minimum requirements for their content under the accrual basis of accounting.

IPSAS 2 Cash Flow Statements: Requires the provision of information about the changes in cash and cash equivalents during the financial period from operating, investing and financing activities.

IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors: Specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of errors.

IPSAS 4 The Effects of Changes in Foreign Exchange Rates: Deals with accounting for foreign currency (non-US DOLLARS in the case of the UN Secretariat) transactions and provides guidance on how to translate the financial statements into a presentation currency. The principal issues are which exchange rate to use for the recognition of certain transactions and balances, and how to report the financial effect of changes in exchange rates within the financial statements.

IPSAS 5 Borrowing Costs: Prescribes the accounting treatment for borrowing costs and requires either the immediate expensing of borrowing costs or, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

IPSAS 6 Consolidated and Separate Financial Statements: Requires all controlling entities to prepare consolidated financial statements, which consolidate all controlled entities, on a line-by-line basis.

IPSAS 8 Interests in Joint Ventures: Requires proportionate consolidation to be adopted as the benchmark treatment, and the equity method of accounting as an allowed alternative to account for joint ventures.

IPSAS 9 Revenue from Exchange Transactions: Establishes the conditions for the recognition of revenue arising from exchange transactions, requires such revenue to be measured at the fair value of the consideration received or receivable, and includes disclosure requirements.

IPSAS 11 Construction Contracts: Defines construction contracts, establishes requirements for the recognition of revenues and expenses arising from such contracts, and identifies certain disclosure requirements.

IPSAS 12 Inventories: Prescribes the accounting treatment of inventories, including cost determination and expense recognition and any write-down to net-realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

IPSAS 13 Leases: Establishes requirements for the accounting treatment and disclosures for operating and finance leasing transactions by lessees and lessors.

IPSAS 14 Events After the Reporting Date: Establishes requirements for the treatment of certain events that occur after the reporting date, and distinguishes between adjusting and non-adjusting events.

IPSAS 15 Financial Instruments -- Disclosure and Presentation: As of 1 January 2013, IPSAS 15 has been replaced by IPSAS 28 to 30.

IPSAS 16 Investment Property: Establishes the accounting treatment and related disclosures for investment property. It provides for application of either a fair value or historical cost model.

IPSAS 17 Property, Plant and Equipment (PP&E): Establishes the accounting treatment for property, plant and equipment, including the basis and timing of their initial recognition, and the determination of their on-going carrying amounts and related depreciation and impairment.

IPSAS 18 Segment Reporting: Establishes requirements for the disclosure of financial statement information about distinguishable activities of reporting entities.

IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets: Establishes requirements for the recognition of provisions, and the disclosure of contingent liabilities and contingent assets.

IPSAS 20 Related Party Disclosures: Establishes requirements for the disclosure of transactions with parties that are related to the reporting entity. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

IPSAS 21 Impairment of Non-Cash-Generating Assets: Prescribes the procedures that an entity applies to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. It specifies when an entity would reverse an impairment loss and prescribes disclosures.

IPSAS 23 Revenue from Non-Exchange Transactions: Deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, which are the main source of the United Nations revenue.

IPSAS 24 Presentation of Budget Information in Financial Statements: Requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to or elect to make publicly available their approved budget(s) and for which they are therefore held publicly accountable.

IPSAS 25 Employee Benefits: Defines the accounting treatment and disclosure requirements of employee benefits.

IPSAS 28 Financial Instruments -- Presentation: Prescribes principles for classifying and presenting financial instruments as liabilities or net assets, and for offsetting financial assets and liabilities.

IPSAS 29 Financial Instruments: Recognition and Measurement: Establishes principles for recognizing, derecognizing and measuring financial assets and financial liabilities.

IPSAS 30 Financial Instruments: Disclosures: Prescribes disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

IPSAS 31 Intangibles: Prescribes the accounting treatment for intangible assets that are not dealt with specifically in another IPSAS.

STANDARDS NOT DIRECTLY RELATED

Currently, these standards are deemed not directly related to the operations of the United Nations Secretariat:

IPSAS 7 Investments in Associates: Requires all such investments to be accounted for in the consolidated financial statements using the equity method of accounting.

IPSAS 10 Financial Reporting in Hyperinflationary Economies: Describes the characteristics of a hyperinflationary economy and requires financial statements of entities that operate in such economies to be restated.

IPSAS 22 Disclosure of Financial Information About the General Government Sector: Prescribes disclosure requirements for governments that elect to present information about the general government sector in their consolidated financial statements.

IPSAS 26 Impairment of Cash-Generating Assets: Prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. It specifies when an entity would reverse an impairment loss and prescribes disclosures. This standard would only be applicable if the Organization obtains significant cash generating assets. In addition, certain UN Secretariat entities that have certain revenue producing activities may be subject to this Standard; however there are no significant assets dedicated solely to revenue producing activities.

IPSAS 27 Agriculture: Prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants for sale or for the distribution at no charge or for nominal charge or for conversion into agricultural produce or into additional biological assets.

IPSAS 32 Service Concession Arrangements -- Grantor: Prescribes the accounting treatment and disclosures related to service concession arrangement from the view of the grantor; this standard is applicable to governments and public sector organizations applying IPSAS.

It should be noted that a standard that may currently have no impact or no material impact on the UN Financial Statements might, in the future, become a directly related standard as a result of changes in the operations of the UN.

For updates on current standards or information on new standards, users of this policy framework are encouraged to visit the IPSAS intranet site regularly.

5. FORMAT OF THE UN IPSAS POLICY FRAMEWORK

For the purpose of the IPSAS Policy Framework document, the IPSAS standards are categorized into six sections:

a) Presentation and Consolidation

b) Revenue

c) Expenses and Liabilities

d) Assets and Valuation

e) Financing, Financial Instruments and Foreign Exchange

f) Disclosures

Each section contains a brief overview of the relevant standards, a detailed layout of the policy choices, and the UN position on the policy; guidance is also provided on how relevant principles of the standards should be applied in the UN context.

6. GENERAL PRINCIPLES OF ACCOUNTING UNDER IPSAS

ACCRUAL BASIS

Under this basis, the effects of transactions and other events are recognised when they occur (and not when cash or its equivalent is received or paid), recorded in the accounting records and reported in the financial statements of the financial periods to which they relate. Financial statements prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash, but also of future obligations to make payments and the receipt of monetary resources. As a result of this method's use, accounting has taken a complete shape as all incomes and expenses received, paid, accrued or outstanding are taken into consideration. The assets and liabilities are also properly created and accounted for by this method. Hence, they provide the type of information about past transactions and other events that is most useful to users in making economic decisions.

GOING CONCERN

Financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or reduce materially the scale of its operations. If there is such an intention or need, the financial statements may need to be prepared on a different basis and, if so, the basis used is disclosed. Under this going concern concept, it is assumed that organizations like the United Nations have reasonable expectations of continuing providing services against a contribution for an indefinite period of time. Thus, it is reasonable to divide the life of an organization into accounting periods so as to be able to know the operational efficiency of the organization at the end of the accounting period and also the financial position at the end of the accounting period.

UNDERSTANDABILITY

An essential quality of the information provided in financial statements is that it is readily understandable by users. For this purpose, users are assumed to have a reasonable knowledge of accounting, business and economic activities in general. However, information about complex matters that should be included in the financial statements, because of its relevance to the economic decision-making needs of users, should not be excluded merely on the grounds that it may be too difficult for certain users to understand.

RELEVANCE

To be useful, information must be relevant to users' decision-making needs. Information is "relevant" when it influences economic decisions by helping users evaluate past, present or future events, or confirming or correcting their past evaluations. Financial statements must have predictive value and confirm past events.

MATERIALITY

Information is material if its omission or misstatement could influence the economic decisions or assessment made on the basis of the financial statements. Whether information should be disclosed or not in the financial statements will depend on its materiality. Materiality depends on the nature or size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful. Either the size or the nature of the item, or a combination of both could be the determining factor. Consideration of materiality is relevant to judgements regarding both the selection and application of accounting policies and to the omission or disclosure of information in the financial statements.

RELIABILITY

Information is “reliable” when free from material error and bias, and can be depended upon by users to faithfully represent what it either purports to represent or could reasonably be expected to represent.

Information may be relevant but so unreliable in nature or misrepresented that its recognition may be potentially misleading. For example, if the validity and amount of a claim for damages under a legal action are disputed, it may be inappropriate for the entity to recognise the full amount of the claim in the financial statements before any settlement is reached, although it may be appropriate to disclose the amount and circumstances of the claim.

COMPARABILITY

Users must be able to compare the financial statements of an entity through time in order to identify trends in its financial position and performance. They must also be able to compare the financial statements of different entities in order to evaluate their relative financial position, performance and changes in financial position. Hence, the measurement and display of the financial effect of like transactions and other events must be undertaken in a consistent way throughout an entity and over time for that entity, and in a consistent way for different entities. It is therefore important to disclose the accounting policies used and any changes made thereon. It is also important that the financial statements present corresponding information for the preceding periods. Comparative figures are not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSAS and as per guidance of the United Nations Task Force on Accounting Standards.

CONSISTENCY

Accounting rules, practices, concepts and conventions should be continuously observed and applied i.e., these should not change from one year to another. The rationale behind this convention is that frequent changes in accounting treatment would make the financial statements unreliable.

FAIR PRESENTATION

Financial statements are frequently described as presenting fairly the financial position, performance and changes in financial position of an entity. The application of the principal qualitative characteristics and of appropriate accounting standards normally results in financial statements that convey what is generally understood as presenting fairly such information.

PRUDENCE

Prudence is the inclusion of a degree of caution in the exercise of professional judgments in making estimates under conditions of uncertainty such that assets or income are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or income, or the deliberate overstatement of liabilities or expenses, as this would result in financial statements that are not neutral.

PRESENTATION & CONSOLIDATION

1. IPSAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

1.1. SUMMARY

This standard prescribes the manner in which the general purpose financial statements of the UN should be presented to ensure comparability with previous financial periods and with the financial statements of other entities, and sets out guidance for the structure of and minimum requirements for financial statements prepared under the accrual basis of accounting.

1.2. STANDARD

1.2.1 A complete set of financial statements includes:

a) Statement of Financial Position;

b) Statement of Financial Performance;

c) Statement of Changes in Net Assets;

d) Statement of Cash Flows;

e) A Statement of Comparison of Budget and Actual Amounts, on the basis of the budget; and

f) Notes to the Financial Statements, comprising a summary of significant accounting policies and other explanatory notes.

The UN financial statements, prepared in accordance with IPSAS, will include all six items listed above. Presentation of budget information is dealt with under IPSAS 24.

1.2.2 An entity whose financial statements comply with IPSAS shall disclose such compliance. Financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS.

1.2.3 The presentation and classification of items in the financial statements shall be retained from one financial period to the next unless, based on a change in the nature of the entity operation or a review of its financial statements, another presentation is found more appropriate or a standard requires such change.

1.2.4 Each material class of similar items shall be presented separately in the financial statements.

1.2.5 Assets and liabilities, and revenue and expenses shall not be offset unless required or permitted by a standard.

1.2.6 Except when a standard permits or requires otherwise, comparative information shall be disclosed in respect of the previous financial period for all amounts reported in the financial statements, including narrative and descriptive information. When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable, for which an explanation will be given in the financial statements.

In accordance with the transitional provisions of IPSAS 1, and in agreement with the UN Task Force on Accounting Standards guidance, the UN is not required to present comparative information for the first financial period pursuant to the adoption of IPSAS.

1.2.7 Financial statements shall be presented at least annually. The usefulness of financial statements is impaired if they are not made available to users within a reasonable period after the reporting date; for the UN Secretariat reporting entities this is deemed to be within three months after the reporting date.

STATEMENT OF FINANCIAL POSITION

1.2.8 The UN will use the current and non-current classifications for assets and liabilities when preparing the Statement of Financial Position. Each asset or liability is classified into current if that item is expected to be recovered or settled within the next twelve months from the reporting date and non-current if that item is expected to recovered or settled in more than twelve months after the reporting date.

STATEMENT OF FINANCIAL PERFORMANCE

1.2.9 All items of revenue and expense recognised in a financial period shall be included in the Statement of Financial Performance unless a standard requires otherwise.

1.2.10 The UN shall present, on the face of the Statement of Financial Performance a breakdown of expenses using a classification based on nature.

STATEMENT OF CHANGES IN NET ASSETS

1.2.11 The UN shall present a Statement of Changes in Net Assets showing all the changes in net assets during that financial period by relevant groupings.

Statement of Cash Flows

1.2.12 Cash flow information provides users of financial statements with a basis to assess the ability of the UN to generate cash and cash equivalents from operating, investing and financing activities (see the section on IPSAS 2 for further information on the preparation of the Statement of Cash Flows).

Statement of Comparison of Budget and Actual Amounts

1.2.13 Since the budget and the financial statements are prepared on different bases, the UN will include, as a separate additional financial statement, a comparison schedule between budgeted amounts and actual amounts prepared on the budgetary basis, as opposed to presenting an additional budget column in the financial statements presented in accordance with IPSAS. The UN prepares its budget on the modified cash basis, whereas the financial statements are prepared on the full accrual basis of accounting. The UN will therefore present the comparison schedule as explained above (see the section on IPSAS 24 for further information on the preparation of the statement of comparison of budget and actual amounts).

Notes to the Financial Statements

1.2.14 The notes shall:

a) present information on the basis of preparation of the financial statements and a statement of compliance with IPSAS;

b) present a summary of significant accounting policies;

c) disclose the information required by IPSAS that is not presented on the face of the financial statements;

d) provide additional information that is not presented on the face of the financial statements, but that is relevant to an understanding of any of them; and

e) be an integral part of the financial statements.

1.2.15 Items on the face of the financial statements shall be cross-referenced to any related information in the notes.

1.3. UN DISCLOSURE

1.3.1 This policy framework contains the format of the financial statements to be used by the UN (see the section “IPSAS Model Financial Statements”), taking into account the minimum requirements set out by IPSAS 1. Additional line items, sub-headings and presentational amendments can be added if necessary.

1.3.2 Other disclosures required should include the judgments that management made in the process of applying the accounting policies.

1.4. POLICY GUIDANCE

1.4.1 The UN Secretariat reporting entities will present annual financial statements as described above in Paragraph 1.2.1 along with a complete set of notes as an integral part of the IPSAS-compliant financial statements.

1.4.2 Assets and liabilities are classified as current and non-current where the term "current" applies to the financial period within 12 months following the reporting date.

1.4.3 The financial statements of the reporting entity shall include all assets, liabilities, revenue and expenses of the reporting entity.

1.4.4 The UN maintains fund based accounting; each fund shall capture its share of revenue, expenses, assets and liabilities in an IPSAS-compliant manner; in some cases this may be done on a standard cost rather than on an actual cost basis. Pooled funds may be used in cases where assets and liabilities are funded across multiple funds

1.4.5 All items of revenue and expense as per IPSAS for the financial period are included in the Statement of Financial Performance. All assets and liabilities as per IPSAS at the reporting date are included in the Statement of Financial Position.

1.4.6 Comparatives are shown in the financial statements except for in the first year of adoption of implementation of IPSAS.

1.4.7 Expenses are reported by nature in financial statements.

1.4.8 The IPSAS-compliant financial statements will present an aggregated view of the reporting entity; fund group reporting will be presented in the Notes to the Financial Statements.

1.4.9 The UN financial statements should be subject to annual audit.

2. IPSAS 2 – CASH FLOW STATEMENTS

2.1. SUMMARY

This standard prescribes how to present changes in the United Nations cash and cash equivalents by means of a Statement of Cash Flows that classifies cash flows during the financial period according to operating, investing and financing activities.

2.2. STANDARD

2.2.1 Cash flows exclude movements between items that make up cash or cash equivalents and investment of excess cash in cash equivalents because these components are part of the cash management of the UN rather than part of its operating, investing and financing activities.

2.2.2 The Statement of Cash flows can be prepared using the direct or indirect method. This policy framework addresses the indirect method only as this is the method used by the UN. Further guidance on the direct method can be found in IPSAS 2.

2.2.3 In using the indirect method, the net surplus or deficit of the UN will be adjusted for the effects of non-cash transactions (i.e. accruals, provisions, amortization and depreciation, etc.) and items of revenue or expense associated with investing or financing activities.

2.2.4 The Statement of Cash Flows reports the cash flows during the financial period classified by operating, investing and financing activities. The UN activities therefore have to be analysed according to these three categories.

2.2.5 There might be cases where one transaction includes cash flows that fall into several different activities. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.

2.2.6 Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the Statement of Cash Flows. Such transactions should be disclosed elsewhere in the financial statements (i.e. statement of financial position, statement of financial performance or notes to the financial statements) in a way that provides all the relevant information about these investing and financing activities.

2.2.7 Cash and cash equivalents not available for use by the entity must be disclosed in the Notes to the Financial Statements.

OPERATING ACTIVITIES

2.2.8 Under the indirect method, the net cash flow from operating activities is determined by adjusting surplus or deficit from ordinary activities for the effects of:

a) changes during the period in inventories and receivables and payables;

b) Non-cash items such as depreciation and amortisation, provisions, unrealized foreign currency gains and losses;

c) All other items for which the cash effects are investing or financing cash flows.

INVESTING ACTIVITIES

2.2.9 Some examples of cash flows arising from investing activities are as follows:

a) cash payments to acquire property, plant and equipment (vehicles, computers and office furniture), intangibles (software licences and upgrades) and other long-term assets;

b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets; and

c) pro-rata share of cash inflows and outflows from investing in the cash pool(s) that correspond to inflows and outflows of cash relating to short-term and long-term investments of the cash pool(s), and purchases and proceeds from sales of those investments.

FINANCING ACTIVITIES

2.2.10 Some examples of cash flows arising from financing activities are as follows:

a) cash receipts from new borrowings;

b) cash payments to repay loans; and

c) cash payments for interest incurred on loans and other obligations.

TRANSACTIONS DENOMINATED IN CURRENCIES OTHER THAN US DOLLARS

2.2.11 Cash flows arising from transactions in a currency other than the US DOLLARS should be recorded in the United Nations presentation currency (US DOLLARS) by applying to the non-US DOLLARS currency amount the exchange rate between the presentation currency and the non-US DOLLARS currency at the date of the cash flow. The exchange rate applied shall be the monthly United Nations Operational Rate of Exchange (UNORE) for the month the transaction occurred. It should be noted that unrealized gains and losses arising from changes in currency exchange rates are not cash flows, but are necessary to be reported in the Statement of Cash Flows to reconcile beginning and ending cash balances.

2.2.12 The format of the Statement of Cash Flows to be used by the UN can be found in the section “IPSAS Model Financial Statements” of this policy framework.

2.3. UN DISCLOSURE

2.3.1 Additional information about the nature and substance of disclosed amounts should be added as a separate note disclosure including any restrictions on the balances held.

2.4. POLICY GUIDANCE

2.4.1 The Statement of Cash Flows will be prepared using the indirect method. The net surplus or deficit of the UN is adjusted for the effects of non-cash transactions (i.e. accruals, provisions, amortization and depreciation, etc.); cash flows relating to and items of revenue or expense associated with investing or financing activities are presented directly.

3. IPSAS 24 – PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

3.1. SUMMARY

This standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The standard also requires reconciliation between the budget actual amounts and the Statement of Cash Flows.

3.2. STANDARD

3.2.1 An entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSAS.

COMPARABLE BASIS

3.2.2 The comparison of budget and actual amounts shall present separately, for each level:

a) the original and final budget amounts;

b) the actual amounts on a comparable basis; and

c) by way of note disclosure, an explanation of material differences between the budget and actual amounts.

3.2.3 The original budget is the one approved by the General Assembly, prior to the start of each biennium, for the Regular Budget.

3.2.4 All relevant information for the comparison of budget and actual amounts will be based on the budgetary accounts based on a modified cash basis. The two sets of figures (budget and actual amounts) must be presented using the same classification basis, for the same entities and for the same financial period.

3.2.5 The comparison of budget and actual amounts will be presented in a separate financial statement (Statement of Comparison of Budget and Actual Amounts) included in the financial statements.

Financial statements for the UN are prepared on the full accrual basis of accounting, whereas the budget is prepared based on the budgetary basis which is the modified cash basis. Actual amounts, as part of the comparison schedule, will be prepared on the budgetary basis.

Aggregation

3.2.6 In some cases, the detailed financial information included in approved budgets may need to be aggregated for presentation in financial statements. Determining the level of aggregation will involve professional judgment.

Changes from Original to Final Budget

3.2.7 The UN shall present an explanation of annual variance analysis and explanation of changes between the original and final budgets in the financial statements.

Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements

3.2.8 The actual amounts presented in the statement of comparison of budget and actual amounts have to be reconciled to the actual amounts of the Statement of Cash Flows, identifying separately any basis, timing, entity and presentation differences.

3.2.9 As the UN accounting basis for the financial statements (full accrual basis accounting) is different from the budgetary basis, the budgetary result and net cash flows (Statement Cash Flows) from operating activities, investing activities and financing activities will be reconciled.

3.2.10 The reconciliation will be disclosed in the notes to the financial statements.

Multi-Year Budgets

3.2.11 For comparison purposes, the biennial budget for the Regular budget should be broken down into annual components in order to fulfil the requirements for the preparation of annual financial statements. Peacekeeping operates on an annual budget cycle.

3.3. UN DISCLOSURE

3.3.1 The UN shall disclose reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts, and the actual amounts in the Statement Cash Flows. Furthermore, the UN shall explain the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanation of material differences between the final budget and the actual amounts (as presented in the comparison schedule) shall be disclosed in the notes to the financial statements.

3.4. POLICY GUIDANCE

3.4.1 The UN continues to prepare the budgets on the same modified cash basis as prior to IPSAS adoption. IPSAS does not require a change in the budgetary basis. Material variances between the final budget and actual on modified cash basis requiring explanation will be at the level of 10% by budget section for Regular Budget and other approved budgets by section and 5% for Peacekeeping operations at a Mission level.

3.4.2 The Statement of Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and financial statements differ, a disclosure note provides reconciliation between the actual amounts presented in the Statement of Comparison of Budget and Actual Amounts to the actual amounts presented in the Statement of Cash Flows.

3.4.3 The annual original and final budgets for the Regular Budget (UN FS Volume 1) will be derived as follows:

YEAR 1:

The initial budget is the portion of the initial appropriation for the biennium approved by the General Assembly which is anticipated to be committed during the first year, as indicated by Programme Managers.

The final budget is the initial budget amounts of year 1 plus the adjustments included in the revised appropriation.

YEAR 2:

The initial budget is the portion of the revised appropriation not included in the final budget of Year 1.

The final budget is the initial budget of Year 2 plus the adjustments included in the final appropriation for the biennium less the amount reported in the year 1 financial statements as the year 1 final budget.

3.4.4 A two-year comparison schedule may be prepared at the end of the biennial budget; this is not a requirement of IPSAS.

3.4.5 Other UN Secretariat entities will follow a similar approach to split any multiyear approved budgets.

3.4.6 IPSAS-compliant budget to actual comparison amounts and note disclosures required under this standard will relate only to formally approved budgets. Other UN Secretariat reporting entities including UNEP, UN Habitat, and UNODC will present statements of comparison of budget to actual based on voluntary contributions that are approved by their Executive Boards.

3.4.7 For peacekeeping operations, the original budget is the budget approved by the General Assembly for the financial year 1 July to 30 June. The final budget reflects the original budget with commitment authority amounts or the revised budget if such revisions are approved by the General assembly for the period. The budgets are approved at the level of the mission and disclosures will be by mission.

4. IPSAS 3 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES & ERRORS

4.1. SUMMARY

This standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the corrections of errors.

4.2. STANDARD

4.2.1 Changes in accounting policies, correction of errors, or revision of estimates are not required when the effect of applying them is not material.

4.2.2 The UN shall select and apply its accounting policies consistently for similar transactions, other events and conditions during each financial period, unless another accounting policy permits categories for which differing policy may be appropriate.

4.2.3 In the absence of a specific IPSAS, the organization should look at the requirements and guidance in IPSAS dealing with similar issues and those of other standard-setting bodies.

4.2.4 Changes in accounting policies. A change in accounting policy should only be made if required by a regulatory or an accounting standards-setting body such as the IPSASB, or if the change results in more relevant or reliable information of transactions, events or conditions in its financial statements. Examples of changes in accounting policies are as follows:

a) change from expense recognition at the time of commitment to the receipt of the good or service;

b) change from expensing of property plant and equipment to capitalization and depreciation; and

c) change from expensing inventory when purchased to capitalizing and expensing only when distributed.

4.2.5 When the UN changes an accounting policy, it shall apply the change retrospectively by restating the prior year financial statements unless impracticable (see Paragraph 4.2.6).

For example, during 20X2, an organization changes its method of reporting cash flows from the indirect method to the direct method. This would be considered a change in accounting policy and would require retrospective restating unless impracticable.

IMPRACTICABILITY

4.2.6 When it is impracticable to restate the prior year financial statements, an organization shall apply the new accounting policy to the earliest financial period when retrospective application is practicable, which may be the current financial period, and shall disclose this fact.

4.2.7 For example, if an organization changes its accounting policy for the capitalization of property, plant and equipment, it should apply this change retrospectively. This means restating property, plant and equipment according to the new policy. However, should this require considerable time and effort it could be considered to be impracticable to apply retrospectively and might therefore be applied on a prospective basis.

4.2.8 When it is impracticable to determine the cumulative effect, an organization shall apply the new accounting policy prospectively – from the date of the change in policy. A restatement of opening balances for the current financial period would therefore not be made.

CHANGES IN ACCOUNTING ESTIMATES

4.2.9 Estimation involves judgments based on the latest available and reliable information. An estimate may need revision if changes occur in the circumstances on which the estimate was based, or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior financial periods and is not a correction of an error.

For example, estimates may be required for inventory obsolescence; the useful lives of, or expected pattern of consumption of future economic benefits or service potential in depreciable assets; and the fair value of financial assets or financial liabilities.

4.2.10 The effect of a change in accounting estimates is applied in the financial period of the change and/or in future financial periods, where applicable, prior period errors.

4.2.11 Potential current period errors discovered in the current financial period are corrected before the financial statements are authorized for issue.

4.2.12 Material errors in the preparation of the financial statements of one or more prior periods may be discovered in the current financial period. These errors are corrected retrospectively and prior period financial statements are restated or, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

For example, a prior period error would be the recording of contributions that relate to a previous financial period in the current year's financial statements (e.g. agreements without conditions were signed in the previous financial period). The comparative figures reflecting contributions, if material, must be restated in the comparative financial statements.

4.2.13 When it is impracticable to determine the effects of an error on comparative information, the UN shall restate the opening balances for the earliest financial period when retrospective restatement is practicable, which may be the current financial period.

SUMMARY OF ACCOUNTING TREATMENTS

	Retrospective Application?	Prospective Application?
Change in accounting policy[1]	Yes	Yes*
Change in accounting estimate	No	Yes
Prior period errors	Yes	No

4.3. UN DISCLOSURE

4.3.1 Accounting policies:

[1] (*) Only when retrospective application is impracticable.

a) nature of change;

b) the amount of adjustment for each financial statement line item affected;

c) the amounts of adjustments related to prior periods; and

d) reasons for impracticability to make a certain adjustment, if any.

4.3.2 Accounting estimate:

a) nature and amount of change that affect the current period and, if applicable, the future financial periods; and

b) if impracticable to disclose effect on future financial periods, the reasons for such impracticability.

4.3.3 Prior period errors:

a) nature of error;

b) the amount of correction for each financial statement line item affected;

c) the amount of correction at the beginning of the earliest prior period presented; and

d) if retrospective application is impracticable, the reason.

4.4. POLICY GUIDANCE

4.4.1 Changes to accounting policy are applied retrospectively by restating the prior year financial statements unless impracticable, that is if the required information was not previously captured, or the cost related to the restatement outweighs the benefit or the amount involved is non-material; in such cases, explanations will be presented in the notes to the financial statements.

4.4.2 Changes in accounting estimates are applied in the financial period of the change and prospectively.

4.4.3 All changes in accounting policies relating to the adoption of IPSAS will be applied in the year of adoption and prospectively except for opening balances which will be restated for initial transition to IPSAS.

4.4.4 Material errors in the preparation of the financial statements of one or more prior periods are corrected retrospectively by restating comparative prior period amounts or if the error occurred before the earliest period presented, then it will be done by restating the opening statement of financial position of the UN reporting entity.

4.4.5 Where IPSAS does not provide guidance as to whether a change should be classified as a change in policy or estimate; the change shall be considered a change in accounting estimate.

5. IPSAS – 6 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

5.1. SUMMARY

This standard prescribes how the financial statements of an entity and those of controlled entities should be consolidated on a line-by-line basis. The current reporting structure of UN Secretariat reporting entities does not result in controlling and controlled entities. At the date of adoption of IPSAS, the UN is not considered to be a controlling entity and therefore will not prepare or present consolidated financial statements, and will not account for controlled entities in its statutory annual financial statements. UN Secretariat reporting entities will be reviewed for control test on a regular basis.

5.2. STANDARD

5.2.1 Control as per IPSAS 6 is defined as '… **as the power to govern the financial and operating policies of another entity so as to benefit from its activities**…' An entity (the controlling entity) controls another entity (the controlled entity) if one entity has the power to govern decision-making in relation to the financial and operating policies of another entity so as to benefit from its activities.

5.2.2 Consolidated financial statements shall include all controlled entities of the controlling entity (foreign or domestic), except when there is evidence that:

a) control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its disposal within 12 months from acquisition; and

b) management is actively seeking a buyer.

5.2.3 An entity (the controlling entity) controls another entity (the controlled entity) if one entity has the power to govern decision-making in relation to the financial and operating policies of another entity so as to benefit from its activities.

5.2.4 A controlling entity can also be a controlled entity. In such a case, the controlling entity needs not present consolidated financial statements provided that the information needs are met through the consolidated financial statements of the ultimate controlling entity.

5.3. UN DISCLOSURE

5.3.1 Where control is deemed not to exist in an entity, but significant influence is deemed to exist, disclosure may be made of the name of the entity, the basis for deeming significant influence, and summarized financial information of the entity.

5.4. POLICY GUIDANCE

5.4.1 IPSAS requires the presentation of consolidated financial statements of the reporting entity and the related entities it controls, but provides little guidance as to the identification of a reporting entity. Based on the draft IPSASB Conceptual Framework, a public sector reporting entity may have a separate legal identity or be an organizational structure, administrative arrangement, programme or activity without a separate legal identity[2]. The conclusion is that under IPSAS, the reporting entity of the United Nations does not have to be equated with the legal entity of the United Nations and the entities of the United Nations Secretariat as currently identified by General Assembly for the preparation of separate financial statements qualify as separate reporting entities under IPSAS.

5.4.2 When each of the current reporting entities of the UN Secretariat is identified as a reporting entity under IPSAS, the analysis of control (applying the power and benefit test of IPSAS 6) of other reporting entities within the Secretariat as well as in the United Nations system, does not point to an IPSAS requirement to produce consolidated financial statements.

5.4.3 Further, the IPSASB draft Conceptual Framework has linked the preparation of consolidated financial statements to the existence of users and it was noted that the General Assembly, the major user of the financial statements, has not requested consolidated financial statements. Thus, there are no identified users of consolidated financial statements of the UN Secretariat or the UN system.

5.4.4 The conclusion is that there is no specific requirement for consolidation under IPSAS for the United Nations; the Office of Legal Affairs (OLA) and the Funds and Programmes of the UN were consulted and have no objection to this conclusion.

5.4.5 The UN Secretariat will not be presenting consolidated financial statements on the adoption of IPSAS; the currently identified reporting entities of the UN Secretariat will move to IPSAS compliance. UN Secretariat reporting entities will be reviewed for control test on a regular basis.

5.4.6 Where there is joint control, the reporting entity will incorporate its share of the net assets of the operations/activities in the Statement of Financial Position using

[2] The IPSASB Conceptual Framework Exposure Draft 1, December 2010, Page 47 para 4.5.

the equity method. If the operations or activity is considered under the control of another reporting entity, only the UN contribution to the activities will be reflected in the financial statement as an expense.

6. IPSAS – 7 INVESTMENTS IN ASSOCIATES

6.1. SUMMARY

This standard prescribes investor‘s accounting for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure.

6.2. STANDARD

6.2.1 Applies to all investments in which an investor has significant influence unless the investor is:

a) a venture capital organization, or

b) a mutual fund or unit trust or a similar entity, such as an investment-linked insurance fund that is measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change, in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.

6.2.2 When there is evidence that the investment is acquired and held exclusively with a view to its disposal within twelve months from acquisition and that management is actively seeking a buyer, the investment shall be classified as held for trading and accounted for in accordance with the relevant international or national accounting standard dealing with recognition and measurement of financial instruments.

6.2.3 Otherwise, the equity method is used for all investments in associates over which the entity has significant influence.

6.2.4 Rebuttable presumption of significant influence if investment held, directly or indirectly, is 20% or more of the associate’s voting.

6.2.5 Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor‘s share of the investee‘s post acquisition change in net assets. Investor‘s statement of financial performance reflects its share of the investee‘s post-acquisition surplus or deficit.

6.3. POLICY GUIDANCE

6.3.1 IPSAS 7 was deemed to have very limited applicability to the entities of the United Nations Secretariat as the entities have no significant equity holdings in other entities.

7. IPSAS – 8 INTERESTS IN JOINT VENTURES

7.1. SUMMARY

This standard prescribes the accounting treatment required for interests in joint ventures, regardless of the structures or legal forms of the joint venture activities.

7.2. STANDARD

7.2.1 Applies to all investments in which investor has joint control unless the investor is either:

a) a venture capital organization, or

b) mutual fund or unit trust or a similar entity, such as an investment-linked insurance fund that is measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change, in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.

7.2.2 The key characteristic of a joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint ventures may be classified as jointly controlled operations, jointly controlled assets and jointly controlled entities. Different accounting treatments apply for each type of joint venture:

a) Jointly controlled operations: venturer recognises the assets it controls, and expenses and liabilities it incurs, and its share of revenue earned, in both its separate and consolidated financial statements.

b) Jointly controlled assets: venturer recognises in its financial statements its share of the jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers, revenue earned from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture, and expenses incurred directly in respect of its interest in the joint venture. These rules apply to both separate and consolidated financial statements.

c) Jointly controlled entities: two accounting policies are permitted: proportionate consolidation: under this method, the venturer‘s statement of financial position includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. Its statement of financial performance includes its share of the revenue and expenses of the jointly controlled entity; and the equity method, as described in IPSAS 7.

7.2.3 When there is evidence that the interest in a joint venture is acquired and held exclusively with a view to its disposal within twelve months from acquisition and that management is actively seeking a buyer, the interest shall be classified as held for trading and accounted for in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.

POLICY GUIDANCE

7.2.4 A joint venture is a contractual arrangement whereby the UN Secretariat entity and one or more parties undertake an economic activity that is subject to joint control. Joint venture activities are classified into three different forms:

a) For jointly controlled operations where the UN Secretariat entity is the operator, the UN Secretariat entity recognises in its financial statements the assets it controls, the liabilities and expenses it incurs. Where another organization is the operator, the UN Secretariat Entity's expense and liability recognition is limited to the agreed billing arrangements;

b) For jointly controlled assets, the UN Secretariat entity recognises its share of the asset and any associated depreciation;

c) For jointly controlled entities, the UN Secretariat entity applies the equity method of accounting; an entity may be legal identity or be an organizational structure, administrative arrangement, programme or activity without a separate legal identity.

7.2.5 The investment in the jointly controlled entity is initially recognised at cost, and the carrying amount is increased or decreased to recognise the UN Secretariat entity's share of the surplus or deficit of the jointly controlled entity for each reporting period. The UN Secretariat entity's share of that surplus or deficit of the jointly controlled entity is recognised in the Secretariat Entity's Statement of Financial Performance.

7.2.6 Jointly controlled operations, for which the UN Secretariat reporting entity is the principal and controls the assets, liabilities, revenues and expenses, will be fully reflected in the accounts of the UN reporting entity; such jointly controlled operations include the jointly financed activities of DSS, ICSC, JIU, CEB, MAIP and DHL Consortium. In the case of UNSMIS, for which the UN is the principal and exercises control over the assets, liabilities, revenues and expenses, the long-term unfunded employee benefit liabilities may be split and the UN only recognise its portion, as such liabilities could be clearly identified to the specific reporting entity.

Revenue: Exchange and Non-Exchange Transactions

8. IPSAS 23 – REVENUE FROM NON-EXCHANGE TRANSACTIONS

8.1. SUMMARY

The objective of this standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The UN Secretariat reporting entities receive significant amounts of revenue via assessed and voluntary contributions, which are considered revenue for non-exchange transactions.

In some transactions it is clear that there is an exchange of approximately equal value, for example in the sale of goods. These are exchange transactions and are addressed in IPSAS 9. In other transactions an entity will receive resources and provide no or nominal consideration directly in return. These are clearly non-exchange transactions, and represent the majority of revenue of most public sector entities. Revenue from non-exchange transactions for the UN includes but is not limited to: assessed contributions; monetary voluntary contributions; and in-kind voluntary contributions (for example, donations of goods and services).

8.2. STANDARD

REVENUE FROM NON-EXCHANGE TRANSACTIONS

8.2.1 An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

8.2.2 In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

8.2.3 When an inflow is identified as a non-exchange transaction, then determine:

a) whether the entity satisfies all of the present obligations related to the inflow. If it does, then recognise an asset and revenue; otherwise recognise an asset and revenue to the extent that a liability is not also recognised, and a liability to the extent present obligation has not been satisfied.

8.2.4 Revenue from non-exchange transactions shall be measured from the amount of the increase in net assets recognised by the entity. Therefore, when recognizing and measuring revenue from non-exchange transactions under IPSAS, there are three questions to be addressed:

a) Is there an asset to be recognised?

b) Is there a corresponding liability to be recognised?; and

c) What is the resulting revenue recognition?

The "past event" which gives rise to control in the context of funding agreements is generally the point at which the binding funding agreement is entered into. Therefore, control can occur earlier than the actual transfer of funds, which would lead to recognition of a receivable.

The definition of a binding agreement is important. For example, where a contribution letter is received and acknowledged but the allocation of the funds to specific projects is not specified or agreed until a later date, it can be considered that a binding agreement is in place. Where contributions are received before a binding agreement is in place, an advance receipt liability is recognised.

The control of an asset is also subject to the presence of stipulations in the contribution agreement relating to the future. If the receipt of future instalments under the agreement is subject to parliamentary law/approval or any similar actions by a third party, it may be difficult to state that the UN has control of those future instalments, and therefore no asset should be recognised for them.

However, in these situations, it may be appropriate to disclose a contingent asset for any future instalments. These types of stipulations are notably present in certain Multi-Year Funding Agreements and Multi-Donor Trust Funds.

Recognition and Measurement of an Asset

8.2.5 An asset is a resource when:

a) it is controlled by the UN as a result of a past event;

b) it can be reliably measured;

c) there are future economic benefits or service potential that will flow to the UN; and

d) inflow to the UN is more likely than not to occur.

8.2.6 An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

8.2.7 An item that possesses the essential characteristics of an asset, but fails to satisfy the criteria for recognition may warrant disclosure in the notes as a contingent asset.

Recognition and Measurement of a Liability

8.2.8 Revenue from non-exchange transactions is recognised to the extent that the transaction creates an asset without a corresponding liability. If the transaction has stipulations attached, that amount to conditions then a liability for these conditions will be recognised.

8.2.9 Stipulations imposed by donors on the use of contributions are classified as either conditions or restrictions. For a stipulation to be a condition, it must include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation, by legal or administrative means, to return the donation if it is not used in the specified manner.

8.2.10 When assessing whether a stipulation is a condition or a restriction, precedence must be given to the substance of the terms of the stipulation over its form. Thus, a mere specification in an agreement that a donation be used in a certain way or returned to the donor is not in itself sufficient to warrant a stipulation being assessed as a condition.

8.2.11 To qualify as a condition, a stipulation must also be specific on matters such as the nature or quantity of goods or services to be provided, or the nature of assets to be acquired as appropriate, and, if relevant, the financial periods in which the performance obligation is to be carried out.

8.2.12 The amount to be recognised as a liability shall be the best estimate of the amount required to settle the obligation at the reporting date. In most cases, this will approximate the fair value of the corresponding asset.

8.2.13 When an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

A review of all contribution agreements is necessary to identify the presence of conditions which would require the recognition of a liability, with consideration given to the substance of the agreement. Based on a review across the Secretariat, conditions are considered to be found in European Commission Agreements.

Goods and Services In-Kind

8.2.14 Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge but which may be subject to stipulations.

8.2.15 Services in-kind are services provided by individuals to an entity in a non-exchange transaction.

8.2.16 An entity should recognise an asset in respect of goods in-kind when the resource meets the definition and recognition criteria of an asset. Revenue is recognised simultaneously with asset recognition unless the item of goods in-kind is transferred with a condition.

8.2.17 An entity may, but is not required to, recognise services in-kind as revenue and as an asset.

8.2.18 On initial recognition, goods in-kind are measured at fair value as at the date of acquisition. The fair value is determined by reference to quoted prices in an active and liquid market, otherwise by appraisal. An appraisal is usually undertaken on behalf of an entity by a qualified valuator.

8.2.19 Where entities are able to measure services in-kind, these are required to be measured initially at fair value. Services in-kind are measured at fair value with reference to similar services where the information is readily available on the national or international marketplace.

The receipt of goods and services in-kind is quite common within the United Nations. Examples of goods in-kind received include equipment (vehicles, computers) and inventories (donated food and drugs). Services in-kind could include volunteers and free technical/expert assistance. The UN usually receives assistance in-kind principally in the form of the use of premises and utilities, and associated maintenance costs. Utilities and maintenance costs can generally be identified and a fair value obtained. As these are effectively commodities which are immediately consumed, the recognition of the asset and consumption or reduction of that asset happen simultaneously, resulting only in the reporting of in-kind revenue and corresponding equal expense. The UN also records any material one-off goods in-kind that are received. Where this relates to property, plant & equipment, recognition thresholds are applied as for other PP&E.

Services in-kind will be disclosed in the notes to the financial statements.

8.3. UN DISCLOSURE

8.3.1 Disclosure should comprise:

a) The amount of revenue from non-exchange transactions recognised during the period by major classes;

b) The amount of receivables recognised in respect of non-exchange revenue;

c) The amount of liabilities recognised in respect of transferred assets subject to conditions;

d) The amount of assets recognised that are subject to restrictions, and the nature of those restrictions;

e) The existence and amounts of any advance receipts in respect of non-exchange transactions;

f) The amount of any liabilities forgiven;

g) The accounting policies adopted for the recognition of revenue from non-exchange transactions; and

h) The nature and type of major classes of goods and services-in-kind received.

8.3.2 Revenue from non-exchange transactions will not be separately described on the face of the Statement of Financial Performance. Instead, the revenue is to be described by its type, such as assessed contributions and voluntary contributions.

8.4. POLICY GUIDANCE

8.4.1 Revenue from non-exchange transactions is measured from the increase in net assets recognised. Where the full criteria for recognition of an asset under a non-exchange agreement are not fulfilled, i.e. when inflow of economic benefits or service potential is probable but not virtually certain, and occurrence depends on an event outside the control of the entity, a contingent asset may be disclosed in the notes to the financial statements .

GOODS AND SERVICES IN-KIND:

8.4.2 A recognition threshold of USD 20,000 for Volumes I & II (USD 5,000 for other UN Secretariat entities) per discrete contribution has been set for the recognition of goods in-kind.

8.4.3 Goods in-kind classified as heritage assets are not recognised on the face of the financial statements, but a descriptive note disclosure heritage asset will be made in the notes to the financial statements.

8.4.4 The approved accounting policy and treatment for goods-in kind that are PP&E and inventory will apply.

8.4.5 For the non-recognition of services in-kind, a disclosure in the notes to the financial statements subject to a threshold of USD 20,000 for Volumes I & II (USD 5,000 for other UN Secretariat entities) per discrete contribution, will be made recognised at fair value. Where there is an exchange of in-kind services, the net amount of revenue from services in-kind may be disclosed. The recommended classes of services in-kind for note disclosure are:

a) Technical assistance/expert services;

a) Administrative support;

b) Participation in training; and

c) Other services in-kind.

DONATED RIGHT TO USE PREMISES:

8.4.6 The thresholds for recognition and measurement in the financial statements of the UN Secretariat will be $20,000 for Volumes I and II and $5,000 for other Volumes per discrete donated right to use arrangement per year.

8.4.7 Short-term donated rights to use arrangements can be considered similar in nature to operating leases. The host government / donor, while transferring the rewards to the UN, typically retains the risks relating to major repairs and replacements, which further supports a revenue/expense treatment.

8.4.8 Each year amounts equivalent to the fair value of the right to use the asset (the equivalent commercial rent for a similar asset) will be recognised as revenue and expenses on the face of the financial statements, reflecting what the UN would otherwise have to pay for similar arrangements. This treatment applies specifically to the donated right to use arrangements that are classified as operating nominal leases.

8.4.9 For donated right to use buildings where the UN has exclusive control (or joint exclusive control) and where the arrangement has a specified term of over 35 years (75% of the 50 year maximum life of buildings) or when the arrangement is for an indefinite term, the UN will capitalise the building that it controls or the portion of the building that it jointly controls at the fair value and credit the deferred revenue for an equivalent amount. Buildings that are determined to be capitalised would be depreciated over the lesser of the term of the arrangement or the useful life of the buildings with a maximum of 50 years. At the time the depreciation is recognised, an equal amount should be recognised as revenue by debiting deferred revenue and crediting revenue for the same amount.

8.4.10 However, for donated right to use building arrangements that are long-term but the UN does not have exclusive control (or joint exclusive control) of the building (such arrangements typically involve the use of a room or a floor of a building); such arrangements will be treated as revenue/expense corresponding to the fair rent value equivalent.

DONATED RIGHT TO USE LAND, INFRASTRUCTURE ASSETS AND MACHINERY AND EQUIPMENT

8.4.11 When the right to use land, infrastructure assets or machinery and equipment is granted to the UN under an operating lease, the following thresholds shall be applied for recognition and measurement in the financial statements:

a) For right to use land (where the title to the land is not granted to the UN, i.e. the UN is not the owner of the land) – yearly rental value equivalent of $20,000 for Volume I and II and $5,000 for other Volumes per item, resulting in a revenue/expense treatment.

b) For right to use infrastructure assets - yearly rental value equivalent of $20,000 for Volume I and II and $5,000 for other Volumes per item, resulting in a revenue/expense treatment.

c) For right to use machinery and equipment - yearly rental value equivalent of $5,000 for all Volumes of the UN Secretariat per item, resulting in a revenue/expense treatment.

ASSESSED CONTRIBUTIONS:

8.4.12 Contributions are approved to be assessed for a one-year budget period, or a portion thereof or for multiple years. Where budgets and/or appropriations are approved for multiple years, the related contributions are apportioned between the years of the budget period for payment. Assessed contributions are considered to be without conditions. In those cases where multiple assessments are issued within a single annual period, revenue is also recorded multiple times.

VOLUNTARY CONTRIBUTIONS:

8.4.13 Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognised as revenue at the time the agreement becomes binding, which is the point when control of the asset is deemed to have been passed, unless the agreement establishes a condition that requires recognition of a liability. In such cases, revenue is recognised as the liability is discharged. Voluntary pledges and other promised donations that are not supported by binding agreements, with offer and acceptance conditions, are recognised as revenue upon receipt of cash. Such pledges and promised donations, as well as agreements not yet formalized by acceptance, are considered contingent assets for note disclosure if the receipt is measurable and probable within the subsequent financial period.

8.4.14 When the UN is an implementing partner with other UN agencies, revenues from these transactions will also be categorized as unconditional voluntary contributions and therefore will be recognised when the UN has control over the underlying asset.

8.4.15 For an arrangement to be treated as conditional, the agreement must have stated performance and return obligations that are monitored, with a mechanism for tracking and record of enforcement.

THE FINANCIAL AND ADMINISTRATIVE FRAMEWORK AGREEMENTS:

8.4.16 Agreements under the Financial and Administrative Framework Agreements of the EC were found to be conditional as per IPSAS 23:

a) All European Commission (EC) agreements under the Financial and Administrative Framework Agreement (FAFA) will be accounted for as having conditions.

b) The initial recognition point of the asset/liability is the signature of the agreement.

c) The initial recognition amount of the asset/liability is for the full amount of the agreement, only if future year contributions are not dependant on parliamentary approvals.

d) Revenue is recognised when the expenditure report is approved by the EC or after the forty-five day period following the submission of the report, whichever is sooner.

e) Periodic assessment of conditionality of agreements, based on prior history with donors, should be performed and the accounting treatment should be applied accordingly.

f) Accounting treatment for any agreements found to be conditional will follow the accounting treatment modelled for the FAFA framework.

MULTI-YEAR VOLUNTARY CONTRIBUTIONS OTHER THAN FAFA:

8.4.17 Agreements with donors in which the undertaking to provide funding is spread across more than one accounting period are referred to as multi-year donor agreements. Revenue from a multi-year donor agreement is generally in the nature of voluntary contributions. Multi-year voluntary contribution agreements are usually unconditional; however there are certain multi-year voluntary contribution agreements which are conditional as noted in 8.4.16 above. When the amount(s) is/are not specified as being provided for specific years, the full amount of the agreement is recognised as revenue upon signature of the agreement when it becomes binding.

8.4.18 When funding is split into portions that are specific to a certain year of contribution and where unused funds of that year are to be returned: the revenue will be recognised in the year to which the funding relates. Funding amounts promised for future years will be disclosed as contingent assets. For instances where cash is received in advance of a formal agreement being signed by both parties to the arrangement, the advance should be recorded as an asset with a corresponding liability. When the origin of Funds credited remains unknown they are recorded as a liability.

8.4.19 For multi-year unconditional agreements that are subject to approval outside of the donor's control, revenue should be recognised for such contributions requiring third party approval (such as parliamentary or budgetary approvals) when authorization is obtained. Future instalments will be disclosed in the notes as contingent assets.

8.4.20 Transactions arising from the return of unused funds should be recorded as a reduction of revenue in the current financial period when the outflow is probable and measurable.

8.4.21 In cases when the funds relating to revenues recorded in a previous financial year are returned, the fund balance will be reduced, reflecting a reduction in Net Assets/Equity.

8.4.22 Interest will be recorded as exchange revenue unless the return to the donor is specifically requested and agreed upfront. In such cases, interest will remain as a payable until refund is made to the donor.

8.5. Revenue relating to pledges made in prior years; Project assets; Implementing partner transactions

8.5.1 Revenue for contributions without a formal agreement will be recognised on a cash basis. If a Member State retroactively pledges to the TCF (makes a pledge in the current year related to a prior year), the revenue will only be recognised in the current year at the date the pledge becomes binding. This is not treated as a prior period adjustment under IPSAS.

8.5.2 Project assets will follow the concept of control. Project assets for projects under the control of and executed directly by the UN Secretariat reporting entity will be capitalised. Assets for projects executed by an external party will be considered outside the control of the reporting entity and would therefore not be capitalised, unless the UN Secretariat reporting entity maintains full control of the project and the implementing/executing third party is considered a direct agent of the UN Secretariat reporting entity, or in cases where the implementing/executing third party has a responsibility to deliver a capital asset. For a project asset to be capitalisable by the UN, it should meet the established capitalization threshold and the flow of benefits from the asset should be to the UN reporting entity. If these criteria of control, capitalization threshold and flow of benefit from the asset to the UN are not met, then the expenses incurred on such projects by the UN will be recorded in the Statement of Financial Performance.

8.5.3 An implementing/executing third party is considered a direct agent of the UN Secretariat reporting entity when the UN is directly involved in the choice of staff to be hired by such third party and/or the type of assets to be purchased to execute the project. For example, the staff security programme that is implemented by UNDP on behalf of the UN. In this case, the UN will capitalise the related project assets.

Pass-through arrangements are agreements where the UN Secretariat reporting entity receives and disburses funds based on the agreement with the donor. The reporting entity has no control over the arrangement and acts only as an agent neither does the reporting entity benefit from the pass-through arrangement except for the support charges received. Consequently, revenue and expenses will not be recorded for pass-through arrangements; only the support charges will be recorded as non-exchange revenue. Note that arrangements that have some characteristics of pass-through arrangements but that directly benefit the programmatic work of the reporting entity will not be considered pass-through arrangements but recorded as non-exchange transactions.

8.6. Transitional Provisions

8.6.1 Organizations are not required to change their accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, other than taxation revenue[3], for reporting periods beginning on a date within three years following the date of first adoption of this Standard. The UN Task Force on Accounting Standards recommends the application of transitional provisions to the extent necessary to achieve compliance with a particular IPSAS standard. The UN Secretariat may use transitional provisions for non-exchange revenue in order to achieve compliance with IPSAS 23.

[3] IPSAS 23.116 states that taxation revenue is subject to transitional period of five years. Non-tax revenue (non-exchange) is subject to three years. The UN does not receive any tax revenue.

9. IPSAS 9 – REVENUE FROM EXCHANGE TRANSACTIONS

9.1. SUMMARY

This standard establishes the fundamental accounting policy under which the UN should account for revenue from exchange transactions, including any resultant assets. Revenue from non-exchange transactions is addressed separately under IPSAS 23.

9.2. STANDARD

9.2.1 An exchange revenue transaction for the UN is defined as one where the UN receives resources, assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Examples include: (a) the sale of goods to third parties such as sales from the UN bookshop; (b) rental income from the use of the UN's conference rooms by others and (c) interest revenue.

9.2.2 Revenue should be measured at the fair value of the consideration received or receivable. Where the consideration is cash or in a monetary amount, measurement will be at this amount.

REVENUE RECOGNITION

9.2.3 Revenue is recognised when it is probable that future economic benefits or service potential will flow to the UN and those benefits can be measured reliably. No revenue is recognised unless these two primary conditions are met.

9.2.4 Revenue from the provision of services is recognised in the financial period in which the service is rendered according to the estimated stage of completion of that service, provided that the outcome can be estimated reliably (i.e. if the stage of completion of the transaction at the reporting date, costs incurred and costs necessary to complete the transaction can be measured reliably).

9.2.5 Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods are passed from the seller to the buyer and when the related revenue and costs incurred can be measured reliably.

9.2.6 Interest income is recognised on a time proportion basis taking into account the effective yield on the asset. Royalty income is recognised as it is earned under the terms of the relevant agreement. Dividends are recognised when declared by the investee.

9.2.7 Revenue from operating leases is recognised according to the terms of the relevant lease agreement or, if no basis is specified, on a straight-line basis over the lease term.

9.2.8 All other revenues from exchange transactions are recognised on an accrual basis to the extent that the amount can be reasonably determined and receipt of consideration is probable.

Swaps and Exchanges

9.2.9 Where goods or services are exchanged with an external party for other goods or services that are dissimilar in nature and value, the swap (exchange) is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods and services received, adjusted by the amount of any cash or cash equivalents transferred as part of the transaction.

9.2.10 When it is improbable that costs will be recovered, no revenue is to be recognised and the related costs are to be expensed.

9.3. UN DISCLOSURE

9.3.1 Disclosures should include each significant category of revenue recognised during the financial period, including those arising from the sale of goods, rendering of services, interest, royalty and dividends. Furthermore, within each of these categories, the amount of revenue arising from the exchange of goods or services is to be identified.

9.4. POLICY GUIDANCE

9.4.1 An exchange revenue transaction for the UN is defined as one where the UN receives resources, assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

9.4.2 Revenue is recognised when it is probable that future economic benefits or service potential will flow to the UN and those benefits can be measured reliably. No revenue is recognised unless these two primary conditions are met.

9.4.3 Revenue from sale of publications, books or stamps is recognised when sale occurs and risks and rewards have been transferred.

9.4.4 Revenue from rendering of services is recognised when it is probable that future economic benefits will flow to the UN and the benefits can be measured reliably. UN offices charge fees or commission on rendering of service to other offices. These charges can be either received in cash before the services are rendered or later at different stages of completion of services. Revenue should be recognised based on the estimated stage of completion of the service provided the outcome can be measured reliably.

9.4.5 Interest income is recognised on a time proportion basis taking into account the effective yield.

9.4.6 Any revenue from operating leases is recognised on a straight-line basis over the lease term.

9.4.7 Revenue is measured at the fair value of the consideration received or receivable on initial recognition. Where the consideration is cash or in a monetary amount, measurement will be at this amount.

Expenses & Liabilities

10. EXPENSE RECOGNITION

10.1. SUMMARY

Under IPSAS, no specific standard prescribes the accounting treatment of expenses and expense recognition. The accounting for this area arises from the fundamental principle of accrual basis accounting. As per IPSAS 1 (presentation of financial statements), under the accrual basis, expenses are recognised when the transaction or event causing the expense occurs. The recognition of the expense is therefore not linked to when cash or its equivalent is received or paid. An expense can result from a transaction that does not have to involve an outflow of cash. So under this basis of accounting, the transactions and other events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. IPSAS 1 provides the additional definitions relevant to accounting for expense under accrual basis.. Specific types of expenses are dealt with directly by other standards – for example, IPSAS 17 for depreciation relating to property, plant and equipment, IPSAS 25 for employee benefits and IPSAS 19 for increases in liabilities relating to provisions.

10.2. IPSAS APPROACH

EXPENSES

10.2.1 Expenses are decreases in economic benefits during a reporting period in the form of outflows or consumption of assets or increases in liabilities that result in decreases in net assets, other than those relating to distributions to owners.

10.2.2 The types of expenses that the United Nations may report include, but are not limited to the following:

a) Employee costs;

b) Transfers (grants under different funding arrangements);

c) Cost of goods purchased or consumed;

d) Cost of services;

e) Travel costs; and

f) Expenses due to finalised litigation claims.

10.2.3 Expenses such as cost of goods or services, employee costs, transfers, travel costs and depreciation, result in the consumption of assets such as cash, inventory and property, plant and equipment, or the increase in a liability such as an accrual or accounts payable. Expenses also result if a liability is recognised for a provision, or when an asset is reduced due to impairment.

10.2.4 Distinction should be made between the word “expense” and the word “expenditure” from an accounting perspective. It is helpful to restrict the use of the word “expenditure” to cash outlays. Expenditures may be cash outlays for capital assets (capital expenditures) or cash outlays for operating purposes (operating expenditures). A capital expenditure, for example the purchase of a vehicle, generally does not immediately result in an expense, although expenses will follow later as the asset is consumed and depreciation or amortization expenses are accrued. An operating expenditure may follow an expense.

BALANCE SHEET APPROACH AND THE DELIVERY PRINCIPLE

10.2.5 If an event makes the reporting entity “worse off,” either by decreasing its assets or by increasing its liabilities, then an expense should be recognised.

10.2.6 Where expense recognition is linked to the increase in a liability, the criteria for recognition of a liability are relevant. A key issue with respect to this is whether or not a present obligation exists due to a past event (see notably IPSAS 19 concerning recognition of provisions).

10.2.7 In identifying if a liability exists and whether a present obligation exists in relation to goods and services, under IPSAS the key consideration is the “delivery principle”. Once goods or services have been received, the reporting entity has an obligation to pay for them. The obligation to pay is relatively unavoidable and sufficient certainty exists to recognise a liability. A corresponding expense is recognised, unless the goods received relate to delivery of an asset.

10.2.8 Therefore, in certain situations, a key issue will be whether goods received should be capitalised and an asset recognised or instead whether an expense should be recognised. In those situations, the definition and recognition criteria for assets are relevant because expense recognition will result if those criteria are not met and an asset is not recognised. This is specifically the case concerning IPSAS 17 and recognition of property, plant and equipment. If the criteria for capitalization of an asset (including UN thresholds) are not met, an expense is recognised for the full amount once delivery has occurred.

10.2.9 Application of the delivery principle means that receipt of an invoice or payment in cash is not the point at which expenses for goods or services will be recognised. The recognition of these expenses will occur once the goods and/or services are received, therefore determining the receiving date becomes a crucial decision point. The receiving date for goods is normally the date of physical receipt and acceptance of goods. The criteria to determine the correct date of receipt of goods should be governed by the transfer of ownership rights to United Nations which is based on INCOTERMS. Services should be received on the date when services are certified as rendered. For service contracts, the receiving date is based on actual receipt of deliverables in the contract e.g. achievement of defined mile stones in the contract or in a time based contract, based on the number of hours worked in the contract. The expense related to capitalised assets is booked when these assets are depreciated/amortized (PP&E and Intangible assets) or consumed, distributed or sold (Inventories).

10.2.10 Travel expenses for Tickets, DSA and Terminal expenses are booked on the date of travel. Expenses related to reimbursement of claims (excess baggage or other related claims) would be booked at the time when the claim is received by the UN.

10.2.11 An entity may make use of a utility, for example electricity, for a period before any invoice is received. However, delivery of the utility has been made and a corresponding liability (an accrual) and expense should be recognised. Conversely, an entity may pay in advance for a service, long before delivery is made. In these cases, an advance payment asset is recognised, and expense is not recognised until delivery is received.

Finally, some situations may result in an expense not because a liability has been recognised and an asset has not been recognised, but because an asset already in existence has decreased in value. For example, this is relevant to depreciation of PP&E (IPSAS 17), amortization of intangible assets (IPSAS 31), and impairment of assets (IPSAS 21). The table below summarizes some common expense situations:

Type of Item	Expense Amount	Examples	Recognition Point
Purchase of an item that is not capitalised	The cost of the item	Office supplies, Utilities, Plant and equipment below the capitalization threshold	Delivery of the item
Inventory	The cost of the item	Tools and spares that meets the definition of inventory	Inventory is sold, distributed, and control passes from the UN to the recipient. In addition expense is incurred due to the write-down of inventory (lower of cost and net realisable value or current replacement cost).
Depreciation of property plant and equipment	Depreciation expense as determined by IPSAS 17- a part of the cost of asset	Depreciation on Computers, vehicles, buildings	As the asset is used (over its useful life)
Impairment	Depends on the estimated decrease in the	Impairment affects a variety of different assets, including	An event (such as damage or obsolescence other than normal usage)

Type of Item	Expense Amount	Examples	Recognition Point
	value of asset below its previous book value	property, plant and equipment	to cause a drop in asset value
Salary and consulting expenses	Gross salaries or amount agreed in a contract for consulting services	Salary	Services are provided with the result that the UN is obliged to remunerate the staff member or consultant
Provisions	The amount of the provision or increase in the provision as determined by IPSAS 19	Provision for litigation	An obligation that is probable and can be reliably measured and exists as a result of past event

Comparison with UNSAS

10.2.12 The application of the delivery principle contrasts with UNSAS accounting requirements. UNSAS allows an expense to be reported when an "unliquidated obligation" is documented.

10.2.13 An unliquidated obligation exists prior to the point at which goods or services are delivered, and can exist as early as the point at which a purchase order is made. Under IPSAS, a decision to purchase or the creation of a purchase order does not result in an obligation, because an organization is still able to change its mind and withdraw from the purchase.

10.2.14 Under IPSAS, unliquidated obligations are no longer recognised in the financial statements of the UN, although they may be disclosed in the notes to the financial statements. International public sector accounting standards require the disclosure of contractual commitments in the following cases:

a) IPSAS 17.89 (d) requires disclosure of contractual commitments to acquire PP&E.

b) IPSAS 1.28, 1.129, 1.132 requires disclosure of contingent liabilities and unrecognised contractual commitments.

c) IPSAS 31.121 requires the entity to disclose the amount of contractual commitments for the acquisition of intangible assets.

d) IPSAS 8.62 requires the entity to disclose the commitments in joint ventures.

e) IPSAS 27.47 requires the entity to disclose the amount of commitments for the development and acquisition of biological assets.

f) IPSAS 13.40 (c) requires the entity to disclose the total of future minimum lease payments

g) IPSAS 23.106 (c) requires the entity to disclose the amount of liabilities recognised in respect of transferred assets subject to conditions.

In order for goods and services to be properly recorded in line with IPSAS requirements and based on the delivery principle, they are recorded within the Materials Management (MM) module of the Enterprise Resource Planning System (ERP - Umoja) at the time of delivery of goods and services. Delivery, and the corresponding expense recognition point, is confirmed by validation of a Service Entry Sheet (SES). The MM module also permits recognition of advance payments. Travel expenses are recorded in accordance with IPSAS through the Travel (TV) module.

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10.2.15 Many United Nations system organizations give funds in advance to implementing partners (governments, NGOs, other UN System Organizations) in order for them to provide services for programmes. The services are generally provided to a target population by the implementing partner via financing received from the UN, and the implementing partner then reports to the UN progress of a project or a programme for which the agreement was signed. In general, the timing of expense recognition for these implementing partner arrangements will be based on delivery as evidenced in the reports from them. The UN transfers money to the implementing partners and in return receive reports from implementing partners on the delivery of the requisite programme deliverables. At the same time, the UN does not:

a) Receive any goods or services directly in return, as would be the case with a purchase/sale transaction.

b) Expect to be repaid in the future, as would be the case with a loan.

c) Expect a financial return, as would be the case with an investment.

These transfers can be considered as non-exchange transactions, since the UN gives value to the recipient (other implementing partner) without directly receiving approximately equal value in exchange. The timing of expense recognition should be based on delivery as evidenced in the reports from the implementing partners. Such expenses should be recorded based on the following expense categories:

a) Staff and other personnel costs;

b) Supplies, commodities, materials;
c) Equipment, vehicles and furniture (including depreciation);
d) Contractual services;
e) Travel;
f) Transfers and grants to counterparts;
g) General operating and other direct costs; and
h) Indirect support costs.

The above transactions with implementing partners should be classified as transfers to implementing partners, which should not be confused with outright grants issued by the Organization. As opposed to such transfers to implementing partners, there are instances where the Organization does provide an outright grant to the receiving entity, in which case the expense would be recognised in full upon authorization of the grant. Examples of such grants would be funds provided to entities for Quick Impact Projects (QIPs).

At the UN, this situation corresponds notably to Participation Programme and Emergency Assistance grants. Where the grant amount is transferred in full upon approval of the agreement, the expense should be recognised based on delivery as evidenced by reporting from implementing partners. In the case of Implementation Partnership Agreements, if conditions are considered to be present in the agreement, transfers of grant amounts upfront are recognised as advance payments, with expense recognised as conditions or terms of the agreement are fulfilled.

10.3. UN DISCLOSURE

10.3.1 The UN presents each material class of similar items separately in the statement of financial performance and does not offset revenues and expenses.

10.3.2 The UN provides on the face of the statement of financial performance, an analysis of expenses using a classification based on the nature of expenses.

10.3.3 Further detail of expenses is included within the notes to the financial statements, including specific disclosure requirements of individual IPSAS standards.

10.4. POLICY GUIDANCE

10.4.1 Expenses are recognised in line with the overarching principles of accrual basis accounting, and according to the specific requirements of individual IPSAS standards. This entails taking a balance sheet approach to expense recognition, and applying the delivery principle as appropriate.

10.4.2 An analysis of expenses by nature is provided on the face of the statement of financial performance.

10.4.3 In order to ensure expenses are correctly recorded in line with the delivery principle, purchases of goods and services are recorded based on Incoterms.

10.4.4 Expenses related to transfers to implementing partners will be recognised based on delivery of the related services as evidenced by reporting. Such expenditures shall be recorded by nature. Where a transfer is deemed to be an outright grant with payment to the end beneficiary and reporting by nature is not required, the full amount shall be recorded as an expense at the point of signature/confirmation of the arrangement. Arrangements relating to multi-year grants shall result in a contingent liability to be expensed at the beginning of the year of payment.

10.4.5 Expenses relating to employee benefits shall be recorded as the employee renders the qualifying service. Education Grants shall be accrued over the school year; the related balance on the advance shall be classified as other current assets in the Statement of Financial Position.

10.4.6 Expenses related to ex-gratia payments shall be recorded as expenses in the financial year of the approval of the payments.

10.4.7 Cost recoveries will be recorded as a reduction of expenses; however if the cost recovery is for indirect costs, revenue may be recorded.

10.4.8 Expense recognition in jointly controlled activities of the UN -

a) All UN entities are acting on a parallel basis in the joint programme. Expenses for the activity performed by the UN will be recognised in the UN financial statements, based on the delivery of related services as evidenced by reporting. In the absence of reports on the financial statement date, accrual shall be made based on the best estimate of services performed on the financial statement date.

b) Where a UN entity is acting as the main implementing agent (principal) and is responsible for project management, oversight and reporting; expenses related to transfers to other implementing partners should be recognised when the executing agent delivers the agreed services as evidenced in the reports. The executing agent reports expenses as per the agreed upon schedule. Expenses reported by executing agents may or may not qualify for capitalization depending on which implementing partner controls the asset and the capitalisation threshold. If a UN entity controls the asset then the asset will be recognised in the UN financial statements, and every year expense will be recognised in the form of depreciation and reduction in the value of the assets, during the useful life of the asset.

c) Transfers up to $50,000 for Volume I and II and $30,000 for other Volumes will qualify to be considered as transfers to end beneficiaries.

d) Where a UN entity is merely acting as an agent and transferring the funds to other implementing partners in pass-through arrangements, revenue and expenses will not be recorded. Only the support charges, if any will be recorded as non-exchange revenue.

11. IPSAS 19 – PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

11.1. SUMMARY

The objective of this standard is to identify the circumstances in which provisions, contingent liabilities and contingent assets should be recognised, how they should be measured and the required disclosure in the financial statements.

11.2. STANDARD

11.2.1 A Payable should be recognised:

a) When goods or services are received or supplied and invoiced or formally agreed with the vendor.

b) In respect of payments received from other organizations, at the time of signing of formal agreements for specified amounts.

In the UN, for goods, the date received will be based on the Inco terms and the shipping documents.

PROVISIONS

11.2.2 A provision should be recognised when:

a) An entity has a present obligation (legal or constructive) as a result of a past event;

b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

c) A reliable estimate can be made of the amount of the obligation.

No provision would be recognised if these conditions are not met.

11.2.3 The amount recognised as a provision should be the best estimate of the expense required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision. Gains from the expected disposal of assets should not be taken into account in measuring a provision.

11.2.4 Provisions should be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision should be reversed.

11.2.5 A provision should be used only for expenses for which the provision was originally recognised.

11.2.6 Examples of provisions may include litigation, onerous contracts, restructuring provisions, warranties, refunds and site restoration costs.

For example, an organization is subject to legal proceedings seeking damages (Present obligation) following an incident on its premises (Past event). The organization disputes liability, however its lawyers advise that it is probable the organization will be found liable and will have to pay damages (probable outflow of resources). A provision should be recognised by the organization for the best estimate of the amount to settle the obligation.

11.2.7 A restructuring provision should include only the direct expenses arising from the restructuring, which are those that are both:

a) Necessarily entailed by the restructuring; and

b) Not associated with the on-going activities of the entity.

11.2.8 If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract should be recognised and measured as a provision.

For example, a mission is wound up before its commitments expire on a lease for a building it occupied. The organization should recognise up front the cost of all future payments related to the lease, less any subletting revenue they may obtain.

11.2.9 No provisions are to be recognised for net deficits from future operating activities.

11.2.10 Provisions that are in the nature of allowances, to more accurately value current and non-current assets, are generally dealt with separately in the respective areas of this policy framework that address those particular assets. Such allowances (contra assets) include, but are not necessarily limited to allowances for impairment of investments, allowances for doubtful accounts on accounts receivable and write-down of inventories.

CONTINGENT LIABILITIES

11.2.11 A contingent liability only requires disclosure in the notes to the financial statements and no recognition on the face of financial statements. It is a possible obligation that arises from past events but whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the UN; or a present obligation that arises from past events but is not recognised because:

a) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

b) The amount of the obligation cannot be measured with sufficient reliability.

11.2.12 Unless the possibility of any outflow in settlement is remote, the UN should disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability.

As in the previous example, an organization is subject to legal proceedings seeking damages (Present obligation) following an incident on its premises. Again, the organization disputes liability and this time its lawyer advises that it is probable that the organization will not be found liable. In this case, no provision is recognised by the organization. The matter is disclosed as a contingent liability unless the probability of an outflow is regarded as remote.

CONTINGENT ASSETS

11.2.13 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the UN.

11.2.14 Contingent assets require disclosure only if the inflow of economic benefits or service potential is probable. Contingent assets are never recognised on the face of the financial statements.

At the UN, certain contribution agreements may give rise to contingent assets, where the receipt of future instalments is dependent upon future events, which are not wholly within the control of the UN. Where the inflow of economic benefits or service potential is considered probable, a contingent asset would be disclosed.

For example, a contingent asset for pledges could occur between the point at which a pledge has been given and the point at which either funds are received or a formal pledge document, which has been duly authorized, is received.

SUMMARY

11.2.15 A summary of guidance as to whether a provision should be recognised or a contingent liability disclosed for a present obligation is as follows:

		Likelihood of an outflow or economic resources			
		Certain Close to 100% Probability	**Probable** At least 50/50 Probability	**Improbable** Less than 50/50 Probability	**Remote** Significantly less than 50/50
Amount can be reliably measured or estimated	**Yes**	Liability should be recognised as accounts payable or accrual.	Provision to be recognised.	Contingent liability disclosed; no provision recognised.	No provision recognised or contingent liability disclosed.
	No	Disclosed as a contingent liability.	Contingent liability disclosed; no provision recognised.	Contingent liability disclosed; no provision recognised.	No provision recognised or contingent liability disclosed.

11.2.16 A possible obligation should be disclosed as a contingent liability unless the likelihood of an outflow in settlement is remote.

Specific Issue of Land Restoration Claims

11.2.17 The UN sometimes takes on the obligation to restore the land and premises to their original state when exiting and closing a mission. There is a limit to liabilities incurred and compensation paid, as part of constructive obligation, by PK Missions to third parties, because the host government assumes partial liability for operations.

11.2.18 To identify and recognise the obligation, the provisions of the GA resolution, SOFA agreements and terms of reference of the Claim Review Board related to restoration costs need to be reviewed. If a present obligation exists and the outflow of resources to settle this obligation is probable and a reliable estimate has been established, then the field mission must recognise the liability for restoration costs.

11.2.19 Obligations for restoration costs of land or premises shall be accounted for either as a provision under liabilities in the statement of financial position or disclosed as a contingent liability in the financial statements. Liabilities which meet all three requirements, as stated in 11.2.18, for recognition of provision would be disclosed as provisions in the statement of financial position. Where the related asset exists, the corresponding amount must be capitalised or otherwise expensed. Changes in the land value would constitute a change in accounting estimates and must be disclosed in the financial statements.

11.2.20 Contingent liability shall be disclosed for "possible" or "present" obligations when the provision recognition criteria are not met.

11.2.21 In the first year of implementation of IPSAS, claims approved by the Claims Review Board shall be reported either as provisions or contingent liabilities in the financial statements of the UN depending on the facts of the case. Claims submitted but not yet approved by the Claims Review Board will be assessed for recognition as provision or for disclosure as contingent liability if they meet the criteria.

Specific Issue of Self Health Insurance Claims

11.2.22 Instead of paying contributions to a 3rd party health insurance company, the United Nations self-insures its employees. The benefits are provided to active employees and retirees and are administered through New York managed self-health insurance funds and Geneva-managed UNSMIS (United Nations Staff Mutual Insurance Society against Sickness & Accident).

11.2.23 The obligation to provide the entitlements for coverage of health expenses is generated when a UN Secretariat entity enters into an agreement with UNSMIS or a NY self-health insurance fund, and when a Staff member becomes a member of the NY self-health insurance fund or Geneva-managed UNSMIS. To identify and recognise the provisions in self-health insurance schemes, the UN should have information on claims submitted after the year end which relate to prior years and historical information on average claims per year.

11.2.24 Considering the circumstances of the self-insured health insurance and the current administrative arrangements, the UN has a constructive obligation for the entire liability, not only for the share of its own employees but for the entire liability of medical insurance claims.

UN Disclosure

11.2.25 Provisions are reported on the face of the Financial Statements and details are disclosed in the Notes to the Financial Statements. For each class of provision the UN shall disclose:

a) The movement of the provisions during the financial period; and

b) A brief description of the nature of the obligation and the expected timing of the outflows.

11.2.26 Disclosure for contingent liabilities should comprise a brief description of the nature of contingent liabilities and where practicable an estimate of the financial effect and an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursements.

11.2.27 Disclosure for contingent assets should include a brief description of the nature of the contingent assets, and where practicable an estimate of their financial effect.

11.3. POLICY GUIDANCE

11.3.1 As per IPSAS, the UN records an obligation as:

11.3.2 Legal Obligation - An obligation that derives from: a contract (through its explicit or implicit terms); legislation; or other operation of law.

11.3.3 Constructive Obligation - An obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

In terms of materiality, the largest impact of IPSAS 19 is the removal of "purchase orders" from the face of the Financial Statements, since they do not qualify as liabilities until delivery occurs. Information on purchase orders will still be collected and reported in the budget accounts but it will no longer be shown on the face of the Financial Statements, but rather in the notes to the financial statements.

11.3.4 The UN will recognise a provision when all three of the following criteria are met:

a) An entity has a present obligation (legal or constructive) as a result of a past event;

b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

c) A reliable estimate can be made of the amount of the obligation.

11.3.5 Provisions do not include allowances (contra assets), which separately deal with the value of current and non-current assets.

11.3.6 Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events which are not wholly within the control of the UN.

11.3.7 Possible assets arising from past events, for which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the UN, and where the inflow of economic benefits or service potential is probable, are disclosed in the notes to the financial statements as contingent assets.

12. IPSAS 25 – EMPLOYEE BENEFITS

12.1. SUMMARY

This standard proposes accounting and disclosure requirements of employee benefits, including short-term benefits, post-employment benefits, termination benefits and other long-term benefits, except for share based transactions and employee retirement benefit plans.

12.2. STANDARD

12.2.1 Employee benefits cover all consideration given by an entity in exchange for service rendered by employees. IPSAS 25 defines four categories of employee benefits:

a) Short term employee benefits;

b) Post-employment benefits;

c) Other long term employee benefits; and

d) Termination benefits.

12.2.2 Employee benefits include benefits provided to the employees and/or their dependents and may be settled by payments made directly to the employees, to their spouses, children or other dependents or to others (e.g. insurance companies).

12.3. Short-Term Employee Benefits

12.3.1 Short-term employee benefits are employee benefits (other than termination benefits) that are payable within twelve months after the end of the period in which the employee renders the related service.

12.3.2 When an employee has rendered service to the UN during a financial period, the UN shall recognise an expense for the short-term employee benefits to be paid in exchange for the service. A liability is recognised corresponding to the unpaid amounts.

12.3.3 Short-term employee entitlements include:

a) Wages and salaries;

b) Short term compensated absences (i.e. paid annual leave, paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the period in which the employee renders the related service; and

c) Non-monetary benefits such as medical care and housing subsidies.

12.3.4 The UN shall recognise the expected cost (liability) of compensated absences as follows:

a) In the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences (number of days per every full calendar month of work); and

b) In the case of non-accumulating compensated absences, such as sick leave, when the absences occur (expensed).

12.3.5 Accumulating compensated absences may be either vesting (employees are entitled to cash payment for unused entitlement on leaving the entity) or non-vesting (when employees are not entitled to cash payment for unused entitlement). The UN shall measure the expected cost of accumulating compensated absences as the additional amount that the UN expects to pay as a result of the unused entitlements that have accumulated at the reporting date. IPSAS 25 specifically states in respect of accumulated non vesting sick leave that a sick leave obligation is likely to be material only if there is a formal or informal understanding that unused paid sick leave may be taken as paid vacation; this currently is not a UN policy.

12.3.6 According to IPSAS 25, maternity leave, paternity leave, sabbatical leave and adoption leave are non-accumulating compensated absence. Indeed, non-accumulating compensated absences do not carry forward: they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the entity. For those benefits, it is not necessary to recognise a liability or expense until the time of the absence, because the employee service does not increase the amount of the benefit.

12.3.7 At the closing date of the financial period, the entity must accrue expenses and related liabilities for each type of short-term employee benefits where the service has been rendered by the employee but no outflow given to the employee.

12.3.8 Accruals for home leave, family visit, overtime and other short-term benefits are calculated directly by the UN.

12.4. Post-employment Benefits

12.4.1 Post-employment benefits are benefits that are payable after completion of employment, except for benefits directly associated with a termination plan.

12.4.2 Post-employment benefit plans (such as pensions and post-employment medical care) are categorized as either under defined contribution plans or defined benefit plans.

12.4.3 Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and has no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial periods. Under defined contribution plans, expenses are recognised in the period the contribution is payable. Accrued expenses, after deducting any contribution already paid, are recognised as liability.

12.4.4 Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and, if any, by the employee) to a post-employment benefit plan or to an insurance company, together with investment income arising from the contributions. The entity's share of these contributions shall be recognised as an expense in the statement of financial performance. The actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

12.4.5 Defined benefit plans are post-employment benefit plans other than defined contribution plans under which an entity pays agreed contributions to a separate entity or special fund internally. The entity's legal obligation is to provide the agreed benefits to current and former employees. The actuarial risk and investment risk fall on the entity. If actuarial or investment experience are worse than expected, the entity's obligation may be increased.

12.4.6 Accounting for defined benefit plans involves:

a) using actuarial techniques to make reliable estimates of the amount of benefits that staff members have earned in return for their service in the current and prior periods ;

b) discounting that benefit using the Projected Unit Credit Method to determine the present value of the defined benefit obligation and the current service cost;

c) determining the fair value of any plan assets at the reporting date;

d) determining the total amount of actuarial gains and losses, and the amount of those actuarial gains and losses to be recognised;

e) where a plan (if ever) has been introduced or changed, determining the resulting past service cost; and

f) where a plan (if ever) has been curtailed or settled, determining the resulting gain or loss.

12.4.7 Post-employment benefits which exist at the UN include the United Nations Joint Staff Pension Fund (UNJSPF), After Service Health Insurance (ASHI), Repatriation benefits: repatriation grant, travel and shipment expenses/relocation grant on separation from service, Severance benefits, Injury or death benefits.

12.5. Other Long-Term Employee Benefits

12.5.1 Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the financial period in which the employees render the related service.

12.5.2 Annual leave is another long-term employee benefit that exists at the UN.

12.5.3 Other long-term employee benefits shall be recognised and measured the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, in accounting for other long term employee benefits:

a) actuarial gains and losses are recognised immediately; and

b) all past service cost is recognised immediately. The introduction of or changes to other long-term employee benefits rarely gives rise to a material amount of past service cost.

12.5.4 The amount recognised as a liability for other long-term employee benefits shall be the net of the following amounts:

a) the present value of the defined benefit obligation at the reporting date;

b) minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

12.6. Termination Benefits

12.6.1 An obligation arises at the termination of service rather than during the employee's service. Termination benefits shall be recognised as an expense and a liability when the entity is demonstrably committed to either:

a) terminate the employment of an employee or group of employees before the normal retirement date; or

b) Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

12.7. Entitlement

12.7.1 At the United Nations, there is a wide variety of employment contracts and employment relationships. Employees may be on temporary, fixed term, continuous or permanent contracts. For the purposes of IPSAS accounting, employees are considered to be individuals providing services to an entity on a full-time, part-time, permanent, casual or temporary basis. In addition, the United Nations should consider all such arrangements and review them in accordance with IPSAS 25 Employee Benefits, where the organization is exposed to risks consistent with a contract of employment regardless of whether there is an actual arrangement in place or not or whether the employment agreement is provided by another United Nations organization. Following the assessment made with the above-mentioned criteria, staff and UNVs fall under the definition of an employee. As per Staff Rules of the United Nations, Staff shall refer to "All staff members of the Secretariat, within the Article 97 of the charter of United Nations, whose employment and contractual relationship are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, Paragraph 1, of the Charter." UNVs are not staff members, but are accorded the normal privileges and immunities required for the independent exercise of their functions during their assignment, and are provided with identification materials reflecting such status. Other than their contractual differences, no distinction should be made between the UNVs and other United Nations staff.

12.7.2 Entitlement to employee benefits described above depends on the form and type of employment contract that each individual holds.

12.7.3 For employee benefits' purposes, UN staff should be categorised into international and locally recruited staff. Staff post categories include Director, Principal Officer, Professional, General and Field Service staff.

12.8. Actuarial calculations

12.8.1 Actuarial calculations, based on external actuarial studies, are performed for After Service Health Insurance (ASHI), Repatriation benefits and accumulated annual leave.

12.9. UN DISCLOSURE

12.9.1 This standard does not require specific disclosures about short-term and other long-term employee benefits, but IPSAS 20 requires disclosure of the aggregate remuneration of key management personnel and IPSAS 1 requires disclosure of information about employee benefits.

12.9.2 United Nations is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The UN, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The UN contributions to the plan during the financial period are recognised as expenses in the statement of financial performance.

12.9.3 The UN should disclose:

a) The fact that the plan is defined benefit plan;

b) The reason why sufficient information is not available to enable the accounting for involvement in the plan on a defined benefit basis (i.e. why either the “access to information” or “reliable allocation” exceptions apply) (IPSAS 25, paragraph 33 (b));

c) To the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition (IPSAS 25, paragraph 33 (c)):

1. Any available information about the surplus or deficit;
2. The basis used to determine that surplus or deficit;
3. The implications, if any, for the entity.

For example -In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that it was ready to decide to increase the Normal Age of Retirement for new participants of the Fund with effect from 1 January 2014. Consequently, with effect from 1 January 2014, the UN and its new participants to the fund are required to contribute for a longer period in order to be a recipient of the defined pension benefit.

d) The contribution amount recognised as an expense (IPSAS 25, paragraph 57);

e) The contribution amount to the plan fund for key management personnel.

12.9.4 IPSAS has specific provisions for such multi-employer defined benefit plans, effectively requiring full disclosure of the nature of the obligation but recognizing liabilities only for contributions owed. As a result, although UNJSPF is categorized as a defined benefit plan, it qualifies to be accounted for as defined contribution plans under IPSAS.

12.9.5 At the UN, After Service Health Insurance (ASHI), Repatriation benefits, Appendix D death and injury benefits, pension benefits to ICJ judges or former Secretary Generals (SGs)and accumulated annual leave as post-employment or other long-term benefit plans will be accounted for as a defined benefit plan. In respect of defined benefit plans, the following should be disclosed in the financial statements:

a) the accounting policy for recognizing actuarial gains and losses;

b) a general description of the type of plan;

c) a reconciliation of opening and closing balances of the present value of the defined benefit obligation;

d) a reconciliation of the opening and closing balances of the fair value of plan assets;

e) a reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets and liabilities recognised in the statement of financial position;

f) present all defined benefit costs (service cost, interest cost, etc.) on an aggregated level in the statement of financial performance;

g) detail of total amounts recognised in the statement of changes in net assets;

h) for each major category of plan assets including equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total plan assets;

i) the amounts included in the fair value of plan assets for each category of the UN's own financial instruments;

j) a description of the basis used to determine the expected rate of return on assets, and the actual return on plan assets;

k) the principal actuarial assumptions used as at the reporting date;

l) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates; and

m) the best estimate of contributions expected to be paid to the plan during the annual period beginning after the reporting date.

12.9.6 For other long-term employee benefits, no other specific disclosures are required. The annual leave benefit will be accounted for as other long-term benefit. For presentation purposes, the liability will be split into current and non-current. The UN will disclose the portion as current liability where the United Nations could be obliged to make payments within the next 12 months.

12.9.7 The United Nations Secretariat administers the benefit schemes for many participating organizations; it is recommended that information should be disclosed in the notes on the nature and circumstances of the arrangements with participating organizations, so that the reader can understand the benefits the liabilities cover.

12.10. POLICY GUIDANCE

12.10.1 Proposed Accounting Treatment for Employee Benefits at the UN:

SHORT-TERM BENEFITS

FIRST TIME/REASSIGNMENT EMPLOYEE BENEFITS

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Assignment grant	Any payment provided in advance of the date of first appointment is a prepayment.	Accrue the undiscounted amount owed for staff members who have reported for work but have not been paid as at the reporting date. The accrual will be based on the Letter of Appointment entitlement.

Initial shipment (if other country)	As above for assignment grant.	For lump sum payments, same as assignment grant above. For reimbursed expenses, accrue the undiscounted amount owed based on invoices received or, if no invoice, use the lump sum entitlement as a proxy.
Travel	As above for assignment grant.	As above for initial shipment
Rental agent/broker's fee	When a staff member claim is submitted and confirmed	Use amount claimed by staff member and approved.

REGULAR MONTHLY BENEFITS

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Salary and post adjustment Organization contributions to Medical insurance plans for active staff Mobility allowance Non-removal allowance Hardship allowance Monthly subsistence allowance Special operations living allowance Special allowances for higher post Special allowance for interpretation	The expense will be recognised when the entitlement is recognised as evidenced by a personnel action authorizing/recognizing and when the service is performed All regular monthly benefits accrue and are processed as part of the monthly payroll run as staff members render their service. Some items, such as rental subsidy, may be withheld until eligibility criteria are met, at which point any back-payments are made within the payroll period that eligibility is established.	As the payroll run as at 31 December captures all entitlements to the date, no further accrual or prorating of entitlements will be required (If payment were delayed for any reason, an accrual would reflect any unpaid monthly entitlement as at year-end)

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Rental subsidy Hazard payment Language allowance Spouse dependency allowance Dependent children allowances Secondary dependent allowances		

Education Benefits

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Education Grant	Recognise expense evenly over the school year. This requires: For payments in advance, recognizing a prepayment when the advance is actually made, and spreading the expense evenly over the school year For payments in arrears, recognise expense when grant claim is approved, as evidenced by personnel action. The expense in the current period is for the portion of payment relating to the school term already passed. A prepayment is recognised for the portion relating to school year still to be finished.	Accrue the portion for the school year that has already passed for unpaid claims that have been submitted and approved. For prepayments, decrease the prepayment by the portion of the school year that has already passed. If past experience shows that a significant portion of education grant is claimed and paid in arrears, an estimate of education grant expense/liability should be recognised at the end of the year for the portion of the school year that has already passed.
Education grant travel (Scholastic travel for children)	For the lump sum and actual expenses options, recognise when the travel	If material, accrue the undiscounted amount owed for travel claims or requests that have been approved but

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
	request is approved (the UN is obligated to provide the validated travel regardless of how that travel is eventually undertaken). In addition, recognise an estimate for the return leg as a liability for year-end purposes. This is because the UN is responsible to return the student to the duty station even if the staff member resigns (i.e., it is the employee service rendered when the claim is submitted that creates the entitlement, not continued service).	have not been paid as at the reporting date.

Bonus Payments

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Safe driving bonus payments	Expense is recognised when the bonus is approved	Accrue any bonuses approved but not yet paid

Other Short-Term Benefits

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Family visit	When the eligibility criteria is met as evidenced by a personnel action (i.e., authorization for family visit) the obligation arises. Recognise a liability for the return trip at the same time.	Accrue estimated cost of any authorized visits that have not been paid out at year-end.
Rest and recuperation	When the eligibility criteria is met as evidenced by a personnel action (i.e., authorization for R&R visit) the obligation arises. Recognise a liability for the return trip at the same time.	Accrue estimated costs of any authorized visits that have not been paid out at year-end.
Reimbursement of Taxes	Expense to be recognised uniformly over the calendar year as the staff member renders the service. Accrue an estimate of the tax reimbursement obligation as the staff member renders the service.	Accrue liability based on estimated tax payments relating to the reporting year that will be paid in the subsequent year.
Maternity leave Adoption leave Paternity leave Compensatory	Recognise expense as the leave is taken i.e. as part of the payroll run.	Maternity, Adoption, Paternity leave and other non-accumulating compensated absences generally does not qualify for payment to an employee in the event of separation or retirement so there is no obligation to pay an amount to the employee for these absences. There is no

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
time off for overtime (non-accumulating compensated absences)		requirement to capture these leave entitlement as part of salary and wages.
Sick leave (accumulating compensated absences)	Recognise expense as the leave is taken i.e. as part of the payroll run.	Fixed term and continuing term Staff in the UN are entitled to accumulate sick leave absences for three months and nine months respectively. At the end of the year, potentially the UN has a liability relating to paid future absences of staff members on sick leave, which is dependent on a future event beyond the control of the staff member as well as the Organization (that is certification of illness by a doctor). But this sick leave generally does not qualify for payment to an employee in the event of separation or retirement. In addition, sick leave cannot be taken as paid vacation if not used. Consequently, there is no obligation to pay an amount to the employee for unused sick leave. Thus the UN will not recognise any employee liability relating to sick leave.
Home Leave	In the period when the staff member performs the service that increases the entitlement. In practice, this is evenly spread over either the one year or two-year period prior to the leave being vested. The expense is limited to the next home leave entitlement. It does not capture potential home leave entitlements beyond this period as such future entitlements are related to	Accrue the liability based on the estimated amount of entitlement earned during the period that has not been paid out before year end e.g., 25% of the expected future cash outflow if the staff member has 18 months remaining before the entitlement is vested. No home leave accrual would be booked for contracts with expiry dates before the home leave accrues, as any obligation is contingent on the organization choosing to renew the contract).

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
	future service by the staff member, not the current service.	
Sabbatical leave (non-accumulating compensated absences)	Recognise expense (being consideration or salary paid while on sabbatical) as the leave is taken i.e. as part of the payroll run.	Sabbatical leave generally does not qualify for payment to an employee in the event of separation or retirement so there is no obligation to pay an amount to the employee for these absences. There is no requirement to capture these leave entitlement as part of salary and wages.
Malicious Act Insurance Plan Premiums	Cost of premium is expensed evenly over the insured year (insured year refers to the 12 month period covered by the premium)	Any premium due but unpaid at financial year-end is accrued as a liability to the insurer. Any unexpired portion of the premium at financial year-end is a prepayment. MAIP is recorded as an Operating expense rather than as an employee benefit.
Low (or no) interest advances and loans	Recognise expense as value of interest foregone when advance is provided	Not applicable

Post-Employment Benefits

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Pension-UNJSPF	When the UN is obligated to provide contributions to the Fund.	Treated as a defined contribution plan. Accrue any unpaid contributions at balance sheet date

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
ASHI - the benefit provided to retirees of the UN (coverage of employer premiums)	The obligation to provide this entitlement is generated: When eligible staff members report for service. In the period that service is rendered by the staff member that increases their entitlement. In practice, the entitlement commences when staff members with eligible contracts start work with the UN.	Actuarially determining the present value of the defined benefit obligation according to the projected unit credit method[4]. This valuation takes into account probability that a staff member will not realize this entitlement due to factors such as death or leaving before the entitlement is vested.
End of service entitlements: Repatriation grant. Relocation grant/shipping costs. Travel expenses	The obligation to provide these entitlements is generated when staff members report for service at a duty station that entitles them to repatriation benefits.	Actuarially determining the present value of the defined benefit obligation according to the projected unit credit method. This valuation takes into account probability that at the end of service the staff member's duty station is his/her repatriation destination.
Death benefit	The obligation is generated when an eligible staff member dies, in return for post-employment benefits, which an entity expects to pay in the future reporting periods.	Actuarially determining the present value of the defined benefit obligation according to the projected unit credit method. For periodic death benefit payments, present value of expected payments.
Compensation in	The obligation is generated when	Actuarially determining the

[4] The projected unit credit method considers expected future pay increases in the calculation of liability and normal cost.

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
the event of death, injury or illness attributable to performance of duties	the compensation is approved in accordance with Staff Rules procedures.	present value of the defined benefit obligation according to the projected unit credit method. Present value of expected compensation payments. Long-term disability benefit is subject to similar uncertainties as the death benefit and should therefore be classified as a post-employment benefit.

Appendix D to staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the UN. Compensation payable for partial or total disability while performing official duties is calculated using the following steps:

First, calculate the compensation payable under Article 10 of Appendix D. This compensation includes: funeral expenses; return transportation of deceased staff and dependent; medical expense and annual compensation to dependents.

Secondly, deduct from annual the compensation due the dependents, the amount received by dependents from UNJSPF, other than the benefits from voluntary contributions. A staff member who is a member of the UNJSPF is entitled to receive payments under the UNJSPF when certain conditions are fulfilled. So if a staff member or their dependent is receiving payment from the UNJSPF, the compensation under Article 10 of Appendix D is reduced.

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Annual Leave	Recognise liability in the period when the staff member performs the service that increases the entitlement. In practice, the annual leave entitlement is recognised evenly over the year starting from date of appointment i.e., if 30 days leave is entitled for the year-ending 31 December, the annual expense will equal 30 days.	Annual leave is considered long term because of the accumulating nature and based on a LIFO approach to annual leave use. Thus the liability is best reflected as the actuarial value of the pay-out amount of annual leave on separation for the Organization. Annual leave is thus measured as a post-employment benefit which can be split as both short and long term for financial statement presentation.

Termination Benefits

Entitlement	When to recognise expense (and liability where applicable)	Measurement of the year-end liability
Termination indemnity	Recognise liability when a termination event occurs i.e., the UN gives a staff member notice that the contract will be terminated early or, if termination is across a number of staff, when a detailed plan for termination exists (including estimates of number of staff members, benefits payable and timing)	Expected additional cash outflows arising from the termination event to the extent of approved termination indemnity
Payment in lieu of notice	When a termination event has occurred and approval is given for a payment in lieu of notice	Expected additional cash outflows arising from the termination event; that is, over and above what has already been recognised and measured under other benefit categories

12.10.2 Corporate bond rates are to be used as the basis for determining the applicable discount rates, when valuing employee benefits that are discounted.

12.10.3 The corridor approach will not be used for reporting the expense or income that arises from actuarial gains and losses when accounting for defined benefit plans; all actuarial gains and losses will be immediately recognised in the statement of changes in net assets through reserves.

12.10.4 Ex-gratia payments for death or injury to non-employees are recognised when approved based on the present value of the expected payments.

ASSETS AND VALUATION

13. IPSAS 17 – PROPERTY, PLANT & EQUIPMENT

13.1. SUMMARY

This standard describes how to capitalise, record, maintain, depreciate, dispose of and disclose property, plant and equipment acquired and held by the UN.

13.2. STANDARD

13.2.1 Property, plant and equipment are tangible items that:

a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

b) are expected to be used during more than one reporting period.

13.2.2 Items of property, plant and equipment shall be recognised as assets when:

a) it is probable that the future economic benefits or service potential associated with the item will flow to the UN;

b) the UN has control over the assets; and

c) the cost or fair value of the item can be measured reliably.

13.2.3 Initial recognition of property, plant and equipment should be measured at cost. However, upon adoption of accrual accounting for the first time in accordance with IPSAS, initial recognition of property, plant and equipment shall be at cost or fair value.

13.2.4 In subsequent reporting periods, property, plant and equipment will be valued at cost less accumulated depreciation and any impairment losses. When cost valuation is difficult to apply, replacement cost may be used.

In moving to IPSAS, for first-time recognition of assets for opening balance purposes, the UN recognises existing assets at either cost or fair value. Acquisitions subsequent to adoption of IPSAS shall be recorded and recognised at cost

13.2.5 Total cost consists of the asset purchase price, generally the invoice price (less discounts), import duties and non-refundable purchase taxes, any directly attributable costs (such as the cost of site preparation, initial delivery and handlingor installation costs) of bringing the asset to working condition for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site. Total cost does not include any refundable taxes or other similar refundable costs. When determining the cost of an asset, associated costs such as freight, import duties, insurance and other costs could be determined by applying a standard cost methodology to the cost of an acquired asset. In the specific case of assets under construction, valuation using the DRC method will be used instead of costs. Where an asset is acquired at no cost (gifted, contributed or donated) or for a nominal cost, then the fair value of the asset at the date of acquisition is used.

13.2.6 Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In the case of value at recognition date, a fair value surrogate can be based on a market price for the exact or similar asset in the absence of readily available information. Fair value can also be determined by a registered appraiser. These are some of the examples for determining fair value; other approaches could be used to arrive at the value of an asset acquired by the UN.

13.2.7 In case of exchange of unlike assets or assets trade-in, the cost is measured at the fair value of the asset received, equivalent to the fair value of the asset given up adjusted by the amount of any cash transferred.

13.2.8 The Standard does not require recognition of heritage assets that would otherwise meet the definition of property, plant and equipment.

Criteria for Assets Capitalization

13.2.9 To meet the criteria for capitalization and depreciation, assets should be controlled by the UN as a result of past events through purchase, construction or donation. Future economic benefits or service potential should be expected to flow to the UN as a result.

In addition to the above, all of the following conditions must be met to capitalise an asset of the UN:

- *The asset has a useful life of more than one year*
- *The asset meets the minimum established cost threshold of USD 5,000 or more per unit for all reporting entities other than Volumes I & II. For example, purchasing ten chairs at a cost of $500 each will not qualify.*
- *For Volumes I & II, the threshold is set at $20,000 and for certain assets noted in 13.4.3 the UN will seek to set the threshold at a lower value.*

13.2.10 Control over assets arises when an entity can:

a) use or otherwise benefit from the asset in pursuit of its objectives; and

b) exclude or otherwise regulate the access of others to that benefit.

In order for assets to be recorded as assets in the UN accounting records they must be controlled by the Organization. This is particularly relevant to Project Assets. The following checklist assists in determining the existence of control:

- *The act of purchasing the asset was carried out (or resulted from instructions given) by the UN.*
- *Legal title is in the name of the UN.*
- *The asset is physically located on premises or locations used by the UN.*
- *The asset is physically used by staff employed by the UN or staff working under the UN instructions.*
- *Can the UN decide on alternative uses for the asset?*
- *Is it the UN that decides to sell or dispose of the asset?*
- *If the asset were to be removed or destroyed, would the UN take the decision to replace it?*
- *Does a UN representative regularly inspect the asset to determine its current condition?*
- *Is the asset used in achieving the objectives of the UN?*
- *Will the asset be retained by the UN at the end of the project?*

Professional judgement should be exercised to determine if the entity has control over an asset. Above indicators will help in reaching the conclusion.

Transitional Provisions

13.2.11 IPSAS provides the possibility for organizations adopting IPSAS to opt for a grace period for recognizing property, plant and equipment of up to five-years. The UN Task Force on Accounting Standards recommends the application of transitional provisions to the extent necessary to achieve compliance with a particular IPSAS standard. The UN Secretariat may use transitional provisions for leasehold improvements, project assets, assets acquired through finance leases, self-constructed assets and for componentisation of major owned buildings; the UN may also use transitional provisions for other types of property, plant and equipment in order to achieve compliance with IPSAS 17.

Initial Recognition

13.2.12 Opening balances valuation of PP&E will be completed as follows: (i) Real estate and buildings will be valued for opening balances using the fair value method at the time of IPSAS implementation, while (ii) plant and equipment will be valued using the cost method.

13.2.13 The UN shall recognise the effect of the initial recognition of property, plant and equipment as an adjustment to the opening balance of net assets for the period in which the property, plant and equipment is initially recognised.

13.2.14 Long-term donated rights to use premises meeting criteria specified in paragraphs 8.4.9 and 8.4.10 shall be initially recognised as PP&E.

13.2.15 Donated PP&E will be recognised as an asset at fair market value or a reasonable proxy of market value at the date of acquisition.

Items Below Property, Plant and Equipment Recognition Threshold

13.2.16 If an asset does not meet the PP&E capitalization criteria, it will be fully expensed in the financial period in which it was acquired (in addition, see par. 15.2.1).

Subsequent Expenses

13.2.17 Subsequent capitalisable expenses are major renovations and improvements to property, plant and equipment. They are considered to increase the future economic benefits or service potential of the asset. Subsequent expenses should improve the condition of the asset, measured over its estimated useful life, beyond its most recently assessed standard of performance. Regular repairs and maintenance in order to keep the asset operational are generally not considered property, plant and equipment.

13.2.18 To capitalise subsequent expenses, they must meet both of the following conditions:

a) the relevant property, plant and equipment must have a remaining estimated useful life of more than one year after the completion of the expense; and

b) the cost of subsequent expense must exceed the cost threshold applicable to the class of assets.

Heritage Assets

13.2.19 Some assets are described as heritage assets because of their cultural, educational or historical significance. Examples include works of art, monuments and historical buildings. Many public sector entities, including the UN, have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation and bequest. These assets are rarely held for their ability to generate cash inflows and there may be legal or social obstacles to using them for such purposes. Their value in cultural, educational and historical terms is unlikely to be fully reflected in a financial value; they are often irreplaceable and it is difficult to estimate their useful lives.

13.2.20 Recognition of heritage assets is not required in the financial statements under IPSAS.

Depreciation

13.2.21 The UN uses the straight-line depreciation method as per the UN Task Force recommendation. Straight-line depreciation is calculated by dividing the cost or fair value equally over the asset's estimated useful life.

13.2.22 Depreciation is charged on an annual basis and commences in the month when the UN gains control over an asset in accordance with Incoterms. No depreciation is charged in the month of disposal.

13.2.23 Residual value will be recorded as zero (unless at the end of the asset's usefulness to the organization the residual value is likely to be significant).

13.2.24 The estimated useful life for assets classes of PP&E are as follows:

Asset Classes	Asset sub class	Estimated Useful Life (In Years)
Communication and IT Equipment	IT Equipment Communications Equipment Audio Visual Equipment	4 7 7
Vehicles	Light Wheeled Vehicles Heavy Wheeled Vehicles and Engineering Support Vehicles Specialised Vehicles, Trailers and Attachments	6 12 Set* (6 - 12 year range)
Machinery and equipment	Light Engineering and Construction Equipment Heavy Engineering and Construction Equipment Printing and Publishing Equipment Water Treatment and Fuel Distribution Equipment Medical Equipment Transportation Equipment Security and Safety Equipment	5 12 20 7 5 7 5
Furniture and fixtures	Office Equipment Furniture Library Reference Material (incl. Books) Fixtures and Fittings	4 10 3 7
Leasehold	Fixtures and Fittings (shorter of lease term /5	5

Asset Classes	Asset sub class	Estimated Useful Life (In Years)
improvements	years) Minor Construction Works (shorter of lease term /5 years)	5
Infrastructure assets	Telecommunication Energy Protection Transport Waste management Water management Recreation Landscaping	Set * (up to 50 years)
Assets under construction	Buildings under construction Infrastructure assets under construction Other assets under construction	No depreciation
Buildings	Buildings – fixed Buildings – Temporary and Mobile Buildings – commercial finance leases Buildings – donated rights to use	Set * (up to 50 yrs.) 7 Lower of term of arrangement or useful life of buildings
Land		No depreciation

1 *Set – Specific useful lives and residual values will be applied for high cost and/or specialized items of PP&E when application of the standard useful live for the class would result in non-compliance with IPSAS.

Impairment

13.2.25 An impairment loss should be recognised whenever the recoverable amount falls materially below the carrying amount of the asset (book value). The impairment loss is considered an expense in the statement of financial performance.

13.2.26 At each statement of financial position date, an assessment of whether an asset may be impaired needs to be performed by the UN.

13.2.27 On-going impairment reviews will occur when there is an impairment event such as an accident or natural disaster and also during asset verification exercises. An annual impairment review / assessment will be performed on all individual items of communication and IT equipment, vehicles, machinery and equipment and furniture and fittings with a Net Book Value, as of the year-end reporting date, of over $25,000 and $500,000 for land, buildings and infrastructure assets.

DERECOGNITION

13.2.28 An item of property, plant and equipment should be removed from the financial statements (derecognised) once its disposal is approved. Operationally, prior to the approved disposal event taking place and while the asset has already been identified as an item with no future economic benefit or service potential expected from its use, the asset needs to be impaired.

13.2.29 Disposal of assets can be through transfer, donation, sale or scrapping. The following events could be applicable to the UN when derecognizing items of PP&E:

a) Items for donation / transfer to other reporting entities – the carrying value of the items to be taken to donation expense or transfer expense;

b) Items for sale – difference between the carrying amount and the expected sale value should be evaluated, and in case of positive difference, expected loss on disposal is to be recorded for the difference;

c) Items for scrapping as no further use is expected – carrying value to be taken to impairment loss with subsequent de-recognition of items from the asset register;

d) Items missing – upon conclusion that items are missing (after due process of searching for them) – the items are to be derecognised and the carrying amount is to be taken to impairment loss.

13.2.30 Gains or losses arising from the derecognition of an item of property, plant and equipment should be determined as the difference between the actual net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss should be included in the statement of financial performance as an item of revenue or expense, as appropriate.

13.3. UN DISCLOSURE

13.3.1 The disclosure for property, plant and equipment should indicate the method of measurement (historical cost or fair value) and the depreciation method used.

13.3.2 A table should be included for property, plant and equipment as shown in the example below.

	Communications & IT Equipment	Vehicles	Machinery and Equipment	Furniture & Fixtures	Leasehold Improvements	Infrastructure Assets	Assets under construction	Buildings	Land	Total
1 Jan 20XX										

	Communications & IT Equipment	Vehicles	Machinery and Equipment	Furniture & Fixtures	Leasehold Improvements	Infrastructure Assets	Assets under construction	Buildings	Land	Total
Historical cost/fair value										
Accumulated depreciation and impairment										
Opening carrying amount										
Movements for year										
Additions										
Disposals										
Disposals depreciation										
Impairment										
Depreciation										
Total movements for year										
31 Dec 20XX										
Historical cost / fair value										
Accumulated depreciation and impairment										
Closing carrying amount										

13.3.3 The UN should also disclose any contractual and capital commitments, and restriction on titles.

13.3.4 The nature and effect of a change in an accounting estimate, details of fair value and impairment calculations (if any) should be disclosed in the notes to the financial statements.

13.4. POLICY GUIDANCE

13.4.1 PP&E shall be classified into classes and subclasses as detailed in the table above. The classifications and useful lives will be reviewed annually.

13.4.2 The PP&E capitalization threshold has been defined as $20,000 for Volumes I & II and as $5,000 for all the other UN Secretariat reporting entities.

13.4.3 No grouping of items will be applied for PP&E recognition. The UN may capitalise five commodity groups at the lower threshold of $5,000 - these are (a) vehicles; (b) prefabricated buildings; (c) satellite communication systems; (d) generators; and (e) network equipment.

13.4.4 For new items of PP&E, additional transportation costs of delivery from the United Nations Global Service Centre (GSC)/other formal internal warehouses to a mission/office will be expensed. For items shipped directly to their final destination (i.e. there is no interim storage of these performed by the UN), the costs only up to the first point of entry in the country of the mission/office will be capitalised. In country transportation costs will not be capitalised unless they are an integral part of the shipment charge from vendors.

13.4.5 Where there are difficulties determining the appropriate fund of an asset on conversion to IPSAS, the asset will be converted to the primary fund deemed to be "using" the asset.

13.4.6 For each item of PP&E, the UN will seek to link it to a single IPSAS segment to support segment reporting in the notes to the IPSAS-compliant financial statements. For opening balances and during the transition period, UN Secretariat entities will seek to make the best effort to arrive at segment classification for PP&E items.

13.4.7 The UN will not recognise heritage assets. However, the Organization will include a high level description of significant heritage assets in the notes to the financial statements. The high level summary description on holdings and acquisitions will be presented in the notes under these classes:

a) Real Estate and Monuments;

b) Works of Art;

c) Books and Maps; and

d) Other heritage assets.

13.4.8 Depreciation for PP&E by the UN Secretariat reporting entities, including Strategic Deployment Stock (SDS) in Brindisi, will commence when the entity gains control of the PP&E at acquisition based on Incoterms.

13.4.9 Assets under construction and land will not be subject to depreciation. These will however be subject to review for impairment adjustments.

13.4.10 A specific analysis of impairment of particular assets or classes of assets will be conducted when conditions indicate a loss in value. The depreciated replacement cost approach will be applied in determining the impaired amount to be written down.

13.4.11 PP&E items shall be transferred between UN offices and missions on a net book value basis; the point of transfer of control for internal transfers will be the point of shipment of the asset. No additional costs of transport will be capitalised for internal transfers; the receiving office will expense any transportation costs.

13.4.12 Buildings, leasehold improvements, infrastructure assets and major upgrades to land and buildings are valued at cost and recognised as assets based on the threshold of USD 100,000. No threshold should be applied to land. Upgrades and improvements shall be pre-designated as capital improvement projects. Internal labour costs incurred during upgrades and improvements will be capitalised where significant, specific to the project and can be discerned as part of the particular asset. For projects relating to self-constructed assets, internal labour costs will be capitalised if directly identifiable exclusively to the construction of the particular asset or group of assets.

13.4.13 A PP&E item comprising of significant components with different useful lives will be depreciated separately. Componentization will apply to major owned buildings in which major systems such as the HVAC, elevators, and electrical systems have useful lives shorter than the building itself. Componentization will not be applicable to buildings in field missions due to the nature of their assets and operations and will not be applied to leased property held under finance leases. The table below captures the proposed components and indicative sub-components for administrative buildings:

The United Nations – Administrative Building Components and Useful Life Ranges

Class	Component	Sub-component	Useful Life
Building	Exterior	1. Foundations & basements	50/40/25*
		2. Superstructure	50/40/25*
		3. Exterior closure	50/40/25*
	Roofing	4. Roofing	20
	Interior	5. Interior construction, staircases and interior finishes	20
	Services	6. Conveying systems	25
		7. Plumbing	25
		8. HVAC	25
		9. Fire protection	25
		10. Electrical & low voltage systems	25

13.4.14 Contingent Owned Equipment does not meet the criteria for classification as finance leases[5] and will be classified as operating leases.

[5] Situations/criteria leading to a finance lease individually or in combination include:

a) Ownership is transferred at the end of the lease

13.4.15 Project assets under the control of and executed directly by the UN Secretariat reporting entity will be capitalised. Assets for projects executed by an external party will be considered outside the control of the reporting entity and will therefore not be capitalised, unless the UN Secretariat reporting entity maintains full control of the project and the implementing/executing third party is considered a direct agent of the UN Secretariat reporting entity, or in cases where the implementing/executing third party has responsibility to deliver a capital asset.

13.4.16 Reference library books[6] are considered PP&E and will be subject to capitalization based on the PP&E asset recognition threshold per reference collection; books purchased for a library's general collection will be expensed.

13.4.17 Real estate will be valued using the Fair Value approach. This is due to the lack of information available for this area as historical records are not available for many of these assets, especially to determine the cost of improvements to buildings. Fair value will be determined using publicly available market values and/or International Surveying Standards. However, for major construction projects underway like the CMP in New York, the new buildings built in Nairobi and Addis Ababa, information should be available to value these at cost, which in these cases is deemed to approximate Fair Value since these costs are current.

13.4.18 Self-constructed assets shall be subject to a capitalisation threshold of USD 100,000. For self-constructed assets in peacekeeping operations, a standard cost approach based on depreciated replacement cost[7] will be applied based on the type of construction and location to bring these assets progressively into the IPSAS-compliant financial statements. The depreciated replacement cost methodology is being internally developed using International Surveying Standards.

13.4.19 Plant and equipment will be valued using the cost method. To make the determination of opening balances achievable for all UN Secretariat reporting entities, all P&E items with a zero net book value at the IPSAS adoption date (based on the agreed useful lives) will be included in the gross value of PP&E in the financial statements notes and at the values currently available in the internal records. Reporting entities that find it impracticable to use the standard cost methodology for associated costs to determine the PP&E opening balances may choose to add associated costs to the values of PP&E records based on actual

b) Lease contains a bargain purchase option
c) Lease term is for the majority of the asset's economic life
d) PV of minimum lease payments amounts to substantially all the asset value

[6] Note that significant holdings of subscriptions to electronic media are considered intangible assets.

[7] The depreciated replacement cost approach is a FV approach.

values, if the benefits of performing the exercise outweigh the costs associated with data collection efforts.

13.4.20 Associated costs of PP&E that will have a positive NBV at the date of adoption will be determined based on a standard cost methodology to arrive at the IPSAS cost of PP&E balances. The average percentage difference between the PO cost and the IPSAS cost will be applied to the entire population of items with a positive book value in the mission/office to determine IPSAS costs for opening balances. This methodology and its application will be performed by the reporting entity.

13.4.21 PP&E will be subject to physical verification based on significance of values and associated risks assessed by management.

13.4.22 For land acquired through title swap prior to IPSAS adoption, a fair exchange is assumed and the cost can be recorded as the purchase price of the land given up.

13.4.23 A number of UN-owned properties have servitudes, e.g. transferrable restrictions on use, that bar the construction of any buildings. Such servitudes normally have no accounting impact under IPSAS but where significant, it will be disclosed in the notes to the IPSAS financial statements in the spirit of full disclosure. However, stipulations on the sale of assets that may impact the selling price will be valued and the value of the property appropriately reduced for opening balances. For example, restrictions that grant a third party full control of the selling price will be capitalised at a nominal value.

13.4.24 Obligations relating to property restoration costs will be subject to accounting treatment based on the requirements of IPSAS 19.

14. IPSAS 31 – INTANGIBLE ASSETS

14.1. SUMMARY

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

14.2. STANDARD

IDENTIFYING INTANGIBLE ASSETS

14.2.1 Intangible assets are resources without physical substance controlled by the entity and can be identified when they:

a) are separable (can be separated or divided from the Organization and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability); or

b) arise from a contract or other legal rights (regardless of whether these rights are transferable or separable from the entity or from other rights and obligations).

Common examples of intangible assets are computer software, copyrights, licences and patents.

14.2.2 An intangible asset shall be recognised if:

a) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Organization (i.e. the Organization has control over that asset); and

b) the cost of the asset can be measured reliably.

For the UN Secretariat, the following criteria should also be met for an item to be recognised as an intangible asset:
(a) an estimated useful life of one year or more; and
(b) an externally acquired intangible asset meets the minimum established cost threshold of USD 5,000 or more per unit for all reporting entities other than Volumes I & II. For Volume I and II, the threshold for capitalization of an externally acquired asset is USD 20,000. For internally developed intangible assets, the capitalization threshold is USD 100,000 for all UN Secretariat reporting entities.

If the above criteria are not met, the cost of the item should be fully expensed in the financial period in which it was incurred.

14.2.3 An intangible asset shall be recognised initially at cost. After initial recognition, the asset shall be carried at historical cost less accumulated amortization and any impairment losses.

14.2.4 The total cost consists of the asset purchase price, generally the invoice price (less discounts), non-refundable purchase taxes, and any directly attributable costs (such as initial delivery, capitalisable internal labour costs, etc.) of bringing the intangible asset to the working condition for its intended use. In the case of an internally developed intangible asset, after the capitalization stage has been established per 14.2.7 below, development costs, direct internal labour costs and product testing costs are included in the total cost of the asset.

14.2.5 Where an intangible asset is acquired at no cost (as a gift, contribution, or donation) or for a nominal cost, the fair value of the asset as at the date of acquisition is used.

Intangible assets in the UN Secretariat would be mostly software and should be presented net of accumulated amortization in the financial statements.

14.2.6 Subsequent expenses should only be capitalised if they increase future economic benefits or service potential of the intangible asset.

For a subsequent expense to be recognised as an intangible asset, it must meet the same criteria that apply for its acquisition.

14.2.7 For internally developed intangible assets, all research costs are charged to expenses when incurred. Development costs are capitalised only after technical feasibility has been established, and the future economic benefits or service potential has been demonstrated.

AMORTIZATION

14.2.8 Intangible assets should be amortized on a straight-line method, over the following ranges of estimated useful lives, starting from the month of acquisition or when the intangible assets become operational.

Asset Classes		Estimated Useful Life (In Years)
Software acquired externally		Set * (3-10 year range)
Software internally developed		Set * (3-10 year range)
Licenses and rights		Set * (2-6 year range)
Copyrights		Set * (3-10 year range)
Assets under development		No amortisation
Other intangible assets[8]		Set *

14.2.9 An intangible asset with an indefinite useful life should not be amortized.

The UN intangible assets are assumed to have a residual value of zero.

All intangible assets (with the exception of capitalisable Umoja costs which UN will seek to capitalise for opening balances) acquired before 1 July 2013 for Peacekeeping operations and 1 January 2014 for the other operations of the UN Secretariat will be subject to transitional provisions and will not be recognised. For in-progress intangible items, amounts expensed prior to IPSAS adoption shall not be capitalised as part of an intangible asset; subsequent expenses relating to in progress intangible assets will be subject to the capitalization threshold.

[8] *Set – Specific useful lives and residual values will be applied for high cost and/or specialized items when application of the standard useful lives for the class would result in non-compliance with IPSAS.

IMPAIRMENT

14.2.10 Intangible assets are impaired in accordance with IPSAS 21. An impairment loss should be recognised whenever the recoverable amount falls below the carrying amount of the intangible asset (book value). The impairment loss is considered an expense in the statement of financial performance.

DERECOGNITION

14.2.11 An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

14.3. UN DISCLOSURE

14.3.1 The UN should disclose the estimated useful life, amortization method, gross carrying amount, accumulated amortization, impairment losses and amortization expenses breakdown in the statement of financial performance.

14.3.2 A movement table showing changes in carrying amount and accumulated amortization and details about impairment for intangible assets, if any, should be disclosed in the notes to the financial statements as shown in the example below:

	Software acquired externally	Software internally developed	Licenses and rights	Copyrights	Assets under development	Other intangible assets	Total
1 Jan 20XX	XX	XX	XX	XX	XX	XX	XX
Cost	XX	XX	XX	XX	XX	XX	XX
Accumulated amortisation	XX	XX	XX	XX	XX	XX	XX
Opening carrying amount	XX	XX	XX	XX	XX	XX	XX
Movements for year	XX	XX	XX	XX	XX	XX	XX
Additions	XX	XX	XX	XX	XX	XX	XX
Disposals	XX	XX	XX	XX	XX	XX	XX
Disposals amortisation	XX	XX	XX	XX		XX	XX
Impairment	XX	XX	XX	XX	XX	XX	XX
Amortisation	XX	XX	XX	XX		XX	XX
Total movements for year	XX	XX	XX	XX	XX	XX	XX
31 Dec 20XX	XX	XX	XX	XX	XX	XX	XX
Cost	XX	XX	XX	XX	XX	XX	XX
Accumulated amortisation	XX	XX	XX	XX	XX	XX	XX
Closing carrying amount	XX	XX	XX	XX	XX	XX	XX

14.4. POLICY GUIDANCE

14.4.1 Intangible assets are stated at historical cost less accumulated amortization and any impairment losses.

14.4.2 Intangible assets, if they meet the recognition criteria in the paragraphs above, are capitalised provided they have a useful life of one year or more and are above the threshold limits.

14.4.3 Where intangible assets are donated to the Organization in a non-exchange transaction, the assets are valued at the Fair Value on the date of donation.

14.4.4 The capitalised value of internally developed software excludes costs related to the research phase and maintenance costs, both of which are to be expensed. Allocation of internal costs to the intangible asset such as labour costs will be done if they can be determined to be part of the asset and identified on the time records of staff involved in developing the intangible asset or another allocation method.

14.4.5 Intangible assets are amortized using the straight-line method over their estimated useful lives as per the table in paragraph 14.2.8.

14.4.6 Intangible assets will have a residual value of zero.

14.4.7 Intangible assets will be subject to transitional provisions and will be recognised prospectively. However, where feasible, the UN may capture and capitalise pre implementation software development costs relating to Umoja. Such costs qualifying for capitalization would include staff costs directly attributable to the project and consultant / vendor costs; these maybe captured retrospectively for inclusion in the IPSAS-compliant opening balances for an Umoja related intangible asset.

14.4.8 Subsequent to IPSAS adoption, the UN will capitalise software licenses that meet the criteria for capitalization of intangible assets. The total amount paid will be capitalised and amortized over the useful life of the asset. In cases where the UN has maintenance software contracts with vendors and pays annual fixed fees that cover all required maintenance and specified updates issued during the year by the vendor, such amounts will be expensed. Major upgrades that add future economic value and increases the functionality of the intangible asset will be capitalised and subsequently have the useful economic life revised.

14.4.9 The Organization will assess on an annual basis whether a condition for impairment of intangible assets exists and if so, estimate the recoverable service amount which is compared to the carrying amount for calculation of the impairment adjustment. The Organization will also perform this assessment of intangible assets with an indefinite useful life and intangible assets not yet available for use i.e., internally generated assets under development. The UN will not recognise intangible heritage assets. However, the Organization will include a high level description of significant intangible heritage assets in the notes to the financial statements if applicable.

15. IPSAS 12 – INVENTORIES

15.1. SUMMARY

This standard prescribes the accounting treatment for inventories, with guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value/current replacement cost. It also provides guidance on the cost formulas used to assign costs to inventories.

15.2. STANDARD

15.2.1 Inventories are assets:

a) In the form of materials or supplies to be consumed in the production process;

b) In the form of materials or supplies to be consumed in the rendering of services;

c) In the form of materials or supplies to be distributed in the rendering of services;

d) Held for sale or distribution in the ordinary course of operations; or

e) In the process of production for sale or distribution.

For purposes of the UN consumables and supplies are items held for external distribution, strategic stocks and reserves

Measurement of Inventories

15.2.2 Inventories shall be measured at the lower of cost and net realizable value or at the lower of cost and current replacement cost, except where inventories are acquired through a non-exchange transaction, where cost shall be measured at the fair value as at the date of acquisition.

15.2.3 Net realizable value refers to the net amount that an entity expects to realize from the sale of inventories in the ordinary course of operations. Except for inventories held for distribution at no or nominal charge, inventories should be written down to net realizable value where this falls below cost.

Inventories held for sale at the UN include publications, stamps and gift/bookshop stock.

15.2.4 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

a) distribution at no charge or for a nominal charge; or

b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

15.2.5 For inventories held for distribution at no or nominal charge, current replacement cost is the cost that would be incurred to acquire the asset on the reporting date. If the inventories cannot be acquired on the open market, then an estimate of replacement cost must be made.

Inventories at the UN shall include items held for sale or distribution to external entities, direct inputs into the production of items held for sale or external distribution, strategic stocks that are centrally stored and managed, and work in progress (WIP) balances relating to items held for sale or external distribution.

COST OF INVENTORIES

15.2.6 The cost of inventories includes:

a) purchase cost or fair value if donated in-kind;

b) conversion costs (materials, labour and overhead);

c) all other costs incurred in bringing the inventories to their present location and condition. When determining the cost of inventory, associated costs such as freight, import duties, insurance and other could be determined by applying a standard cost methodology to the cost of acquired inventory.

15.2.7 Cost can be determined either on a Specific Identification cost method, First in First out (FIFO) basis or weighted average price (WAP) which can either be on a periodic basis or perpetual basis (when the underlying ERP allows for calculation of moving average price (MAP). Specific identification of costs means that specific costs are attributed to identified items of inventory. The FIFO formula assumes that the items of inventory that were purchased first are sold (consumed) first, and consequently the items remaining in inventory at the end of the period are those most recently acquired or produced. The weighted average formula uses the average unit cost to determine the value of the ending inventory and the cost of similar items acquired during the period.

15.2.8 Some costs are not included in the cost of inventories. These include abnormal wastage, storage costs, administrative overheads and selling costs. These excluded costs are recognised as expenses in the period in which they are incurred.

Recognition as an Expense

15.2.9 When inventories are sold, exchanged or distributed, their carrying amount shall be recognised as an expense in the financial period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when these inventories are distributed or when related services are rendered. The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the financial period the write-down or loss occurs.

15.2.10 The amount of any reversal of any write-down of inventories shall be recognised as a reduction in the amount of inventories and recognised as an expense in the period in which the reversal occurs. The reversal is limited to the amount of the original write-down.

15.3. UN DISCLOSURE

15.3.1 The financial statements should disclose the accounting policies adopted in measuring inventories, the total carrying amount of inventories, the carrying amount in appropriate classifications, the amount of inventories recognised as an expense during the financial period, the amount of any write-down of inventories recognised as an expense in the period and the amount of any reversal of any write-down that is recognised in the statement of financial performance.

15.4. POLICY GUIDANCE

15.4.1 Inventories are capitalised as current assets in the financial statements. In principle, inventory balances at the UN shall be comprised of items held for sale or distribution to parties outside of the reporting entity and any material work in progress (WIP) balances, and centrally managed strategic stocks.

15.4.2 When inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when these inventories are distributed or when related services are rendered.

15.4.3 Inventories held for use or distribution at no/nominal charge will be measured at lower of cost or replacement cost. Inventories held for sale will be measured at lower of cost or net realizable value.

15.4.4 For the purposes of determining opening inventory balances and during the period of transition to Umoja, the UN will determine the best practical way of calculating the costs of inventories. For example, the periodic WAP or MAP methodologies may be used or the specific identification method where applicable. For subsequent measurement, the most recent purchase costs may be used as a proxy for the current replacement cost and the most recent selling price may be used as a proxy for the net realisable value.

15.4.5 Upon full deployment of Umoja, the cost of inventory shall be determined using MAP.

15.4.6 Inventories will be summarized in the notes to the financial statements based on classes provided in the following table; additional details may be presented based on specific significant balances held.

Inventory Class	Sub class
Held for sale or external distribution	Books and Publications Stamps Liquor Rations Other
Strategic Consumables &Supplies including UN Reserves	Fuel - strategic and local reserves Medical and emergency supplies Rations Bottled Water Uniforms and badges Safety and security supplies Motor vehicle spare parts Electrical spare parts All other SDS stock
Raw Materials and Work in progress	Printing supplies Construction material and supplies Work in progress

15.4.7 Consumables and supplies will include items held for external distribution, strategic stocks and reserves.

15.4.8 No in-country transportation costs will be capitalised unless part of the shipment charge from vendors.

15.4.9 For fuel and rations inventory, only strategic and local reserves will be considered inventories, operational inventory held are considered issued.

15.4.10 Inventory will be subject to physical verification based on significance of values and associated risks assessed by management.

16. IPSAS 21 – IMPAIRMENT OF NON-CASH GENERATING ASSETS

16.1. SUMMARY

This standard prescribes the procedures that the UN will apply to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an impairment loss would be reversed and prescribes disclosures. It only relates to those non-cash-generating assets not covered under other IPSAS standards.

Cash-generating assets are held with a primary objective of generating commercial returns. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by profit-orientated entities. Property, plant and equipment and intangible assets held by the UN are considered to be non-cash-generating. Therefore, to determine if they are impaired, the UN applies IPSAS 21.

16.2. STANDARD

IMPAIRMENT

16.2.1 An impairment loss should be recognised whenever the recoverable service amount falls below the carrying amount (the "book value") of an asset.

16.2.2 Recoverable service amount is the higher of the asset's fair value less costs to sell and its value in use.

16.2.3 An impairment loss shall be recognised immediately in surplus or deficit.

16.2.4 After the recognition of an impairment loss, the depreciation (amortization) charge for the asset shall be adjusted in future financial periods to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful life.

16.2.5 The UN shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior financial periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

For example, evidence may be available of physical damage of an asset which would likely result in the asset being unable to provide the level of service that it was once able to provide. Examples could include a building damaged by fire or flood, or equipment that is damaged and can no longer be repaired or for which repairs are not economically feasible.

Reversal of Impairment Losses

16.2.6 An impairment loss recognised in prior financial periods for an asset shall be reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset will then be increased to its recoverable service amount. This increase is a reversal of an impairment loss.

16.2.7 The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior financial periods.

16.2.8 A reversal of an impairment loss for an asset shall be recognised immediately in net surplus or deficit.

Value in Use

16.2.9 Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of three approaches, and depends on the availability of data and the nature of the impairment. The three approaches which can be used are: i) depreciated replacement cost approach; ii) restoration cost approach; and iii) service units approach.

16.2.10 Where the estimated impairment loss is greater than the carrying amount of the asset, the carrying amount of the asset is reduced to zero with a corresponding amount recognised in net surplus or deficit. A liability for the remainder of the estimated loss is only recognised if required by another IPSAS standard.

16.3. UN DISCLOSURE

16.3.1 The UN should disclose the amount of impairment losses and reversals of impairment losses recognised in net surplus or deficit during the financial period, their segmental distribution (if applicable), the reason for the impairment/reversal, whether fair value is used for impairment testing, and the methodology in calculating the fair value.

16.4. POLICY GUIDANCE

16.4.1 An impairment loss is recognised whenever the recoverable amount falls below the carrying amount (the "book value") of an asset.

16.4.2 An impairment loss is recognised immediately in the statement of financial performance.

16.4.3 After the recognition of an impairment loss, the amortization or depreciation charge for the asset is adjusted in future financial periods to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful life.

16.4.4 New assets in transit, assets under construction and land will be subject to review for impairment adjustments.

16.4.5 The depreciated Replacement Cost approach will be used for all impairment reviews of PPE and intangible assets including new assets in warehouses except for cases where impairment is due to physical damage. The restoration cost approach should be used for such cases.

FINANCING, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

17. IPSAS 13 – LEASES

17.1. SUMMARY

The UN is generally a party to leases in the context of arrangements for the use of land and buildings. This standard prescribes the appropriate accounting policies and disclosures to apply when the UN acts as a lessor or lessee. A lease is classified at its inception as either finance or operating.

17.2. STANDARD

Operating Leases

17.2.1 Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefit.

17.2.2 If the UN is a lessor, then the UN will recognise the revenue from operating leases as revenue on a straight-line basis over the lease term, and all costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

17.2.3 An operating lease is a lease other than a finance lease.

Finance Leases

17.2.4 A lease is classified as finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset. The title may or may not be eventually transferred.

Below are examples of situations that individually or in combination would lead to a lease being classified as a finance lease:

a) The lease transfers ownership of the asset to the lessee by the end of lease term;

b) The lease term is for the major part of the economic life of the asset even if the title is not transferred;

c) The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made;

d) The leased assets cannot easily be replaced by another asset;

e) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; and

f) At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

17.2.5 Other indicators that individually or in a combination could also lead to a lease being classified as a finance lease are:

a) If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

b) Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

c) The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

17.2.6 At the commencement of the lease term, lessees shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statements of financial position. Liabilities should not be offset against assets. Lessors, in the meantime, shall recognise lease payments receivable under a finance lease as assets in their statements of financial position.

17.2.7 The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. At the inception of the lease, present value of lease payments is substantially equal to asset's fair value.

17.2.8 A depreciation expense for depreciable assets as well as a finance expense for each accounting period will be recorded. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life.

SALE AND LEASEBACK TRANSACTIONS

17.2.9 A sale and leaseback transaction involves the sale of an asset by the lessee to the lessor and the leasing back of the same asset by the lessee from the lessor. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

17.3. UN DISCLOSURE

17.3.1 Lessees shall disclose the following for operating leases:

a) The total of future minimum lease payments under non-cancellable operating leases broken down according to payable terms: within one year; one to five years; and greater than five years;

b) Lease payments recognised as an expense in the financial period; and

c) A general description of the lessee's significant leasing arrangements.

17.3.2 Lessors shall disclose the following for operating leases:

a) the future minimum lease payments under non-cancellable operating leases in the aggregate broken down according to payable terms: within one year; one to five years; and greater than five years; and

b) a general description of the lessor's leasing arrangements.

17.3.3 Lessees shall disclose the following for finance leases:

a) for each class of asset, the net carrying amount at the reporting date;

b) a reconciliation between the total of future minimum lease payments at the reporting date, and their present value;

c) the total of future minimum lease payments at the reporting date, and their present value, broken down according to payable terms: within one year; one to five years; and greater than five years; and

d) a general description of the lessee's significant leasing arrangements.

17.3.4 The UN is not a lessor under any leases that would qualify as finance leases. However, should the UN become the lessor under any finance leases the disclosure requirements can be found in IPSAS 13.

17.4. POLICY GUIDANCE

17.4.1 Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

17.4.2 The financial statements disclose:

a) the total of future minimum lease payments under non-cancellable operating leases broken down according to payable terms: within one year; one to five years; and greater than five years;

b) lease payments recognised as an expense in the financial period; and

c) a general description of the lessee's significant leasing arrangements.

17.4.3 The UN is often granted the right of use and occupancy of premises through donated right to use arrangements or nominal leases. Please refer to paragraphs 8.4.6 to 8.4.10 for UN policy on these arrangements.

18. IPSAS 28, 29, 30 – FINANCIAL INSTRUMENTS: PRESENTATION, RECOGNITION, MEASUREMENT & DISCLOSURE

18.1. SUMMARY

18.1.1 Updated standards on financial instruments were issued by IPSASB in January 2010. These standards entail criteria for recognizing financial instruments in the financial statements and the measurement of their carrying value, and the provision of information about factors that affect the amount, timing and certainty of future cash flows related to financial instruments; the nature and extent of the use of financial instruments; the financial purposes they serve; the risks associated with those financial instruments; and policies for controlling these risks.

18.2. STANDARDS

RECOGNITION

18.2.1 An entity will recognise a financial asset or a financial liability on its statement of financial position when and only when it becomes party to the contractual provisions of the underlying financial instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

DE-RECOGNITION

18.2.2 An entity will remove a financial asset from its statement of financial position when and only when the contractual rights to the cash flows from the financial asset expire (usually, in the case of contributions and accounts receivable, when payment has been received), or when it transfers the financial asset, with substantially all the risks and rewards of ownership, to another party.

18.2.3 An entity will remove a financial liability, or part of it, from its statement of financial position when and only when it is extinguished. In other words, the liability is only de-recognised once the obligation upon the entity specified in the contract is discharged, waived, cancelled or expires, and there is no longer a legal obligation on the entity to pay cash or provide goods or services.

18.2.4 A financial asset and a financial liability should be offset and the net amount reported in the statement of financial position only when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Measurement

18.2.5 Financial instruments should be measured according to the valuation methods shown below.

Category	Description	Examples	Measurement basis	
			Initially	**Subsequently**
Financial assets at fair value through statement of financial performance	Financial assets either held for trading or electively designated into this category	Investments in debt or equity securities held in a trading portfolio	At fair value, with related transaction costs expensed	At fair value where reliably measured. Interest or dividends accounted for through statement of financial performance
Available-for-sale assets	Financial assets electively designated into this category or they do not fall into any other category	Investments in debt or equity securities that do fall into any other category	At fair value plus transaction costs	For debt and equity securities that can be measured reliably, at fair value, with gains or losses through net assets. Interest on such debt instruments accounted for using effective interest rate through statement of financial performance. Where debt and equity securities cannot be reliably measured (usually equity items), at cost. For equity items, dividends receivable are accounted for through statement of financial performance
Held-to-maturity investments	Quoted financial assets with fixed or determinable payments which the	Debt securities, mandatory redeemable preference shares	At fair value plus transaction costs	At amortized cost, using effective interest rate, with interest through statement of financial performance

Category	Description	Examples	Measurement basis	
	UN has an intent and ability to hold until maturity			
Loans and receivables	Unquoted financial assets with fixed or determinable payments	Accounts receivable, contributions receivable, notes receivable, loan assets and investments in unquoted securities	At fair value plus transaction costs	At amortized cost, using effective interest rate, with interest through statement of financial performance
Financial liabilities at fair value through statement of financial performance	Financial liabilities either held for trading or electively designated into this category	Derivative liabilities and other trading liabilities	At fair value with related transaction costs expensed	At fair value where reliably measurable At cost where not reliably measurable
Financial liabilities at amortized cost	All financial liabilities except those at fair value through statement of financial performance	Accounts payable, notes payable, issued debt securities, loans	At fair value adjusted for directly attributable transaction costs	At amortized cost, using effective interest rate, with interest through statement of financial performance

18.2.6 Financial instruments are initially measured at fair value on the date of acquisition or issuance. Usually this is the same as cost, but sometimes an adjustment is required.

18.2.7 Subsequent to initial recognition, financial instruments may, depending on their classifications into one of the six categories in the table above, be measured in one of three ways:

a) Cost. This is the actual historical cost, generally upon acquisition. For items such as equity investments that do not have a quoted market, it will generally be the purchase value.

b) Amortized cost. This measurement method applies an effective interest rate to exactly discount future cash flows arising from the instrument to its initial carrying value. The effective interest rate will have to be imputed by iteration. The method is more likely to be applied to held-to-maturity investments (which have a longer time horizon to final maturity and are purchased at a discount to their face value) than contributions receivable, accounts receivable or accounts payable. For these latter items, the relatively short period between initial recognition and eventual de-recognition (receipt of cash in the case of contributions receivable and accounts receivable; payment of cash to vendors in the case of accounts payable) means that there is usually little or no difference between the acquisition value and the value eventually recognised. However, amortized cost measurement can be applied to loans and receivables with fixed or determinable future payments, and long-term financial liabilities.

c) Fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm‘s length transaction. This is not necessarily market price, but the prevailing market price will often provide a good indication of fair value.

The fair value hierarchy in IPSAS 29:

a) best is quoted market price in an active market;

b) otherwise use a valuation technique that makes maximum use of market inputs and includes recent arm‘s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

GAINS AND LOSSES

18.2.8 A gain or loss arising from a change in fair value of a financial asset or liability that is not part of a hedging relationship is recognised as follows:

a) a gain or loss on a financial asset or financial liability classified at fair value through statement of financial performance shall be recognised in the statement of financial performance (surplus or deficit);

b) a gain or loss on an available-for-sale financial asset shall be recognised directly in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss shall be recognised in the statement of financial performance.

18.2.9 For financial assets and liabilities carried at amortized cost, a gain or loss is recognised in the statement of financial performance when the financial asset or liability is derecognised or impaired (see below), and through the amortization process.

IMPAIRMENT

18.2.10 All financial assets, except those measured at fair value through profit or loss, are subject to review for impairment. At each balance sheet date, the UN shall assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists:

a) for financial assets carried at amortized cost (i.e. held-to-maturity investments and loans and receivables, items 3 and 4 in the table above), the carrying amount shall be reduced either directly or through the use of an allowance account, with the amount of the loss recognised in the statement of financial performance. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the original effective interest rate.

b) for financial assets carried at cost (i.e. unquoted equity instruments where the fair value cannot be reliably measured, of the type that may be classified under categories 1 and 2 in the table above), the carrying value of the asset is reduced by the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar asset.

c) for available-for-sale financial assets, when a decline in fair value has been recognised in net assets and it is concluded that the assets are impaired, the cumulative loss shall be removed from net assets and recognised in the statement of financial performance. This amount will be the difference between the acquisition cost and the current fair value.

18.3. UN DISCLOSURE

18.3.1 For financial instruments, the UN will disclose the following information as required by IPSAS 30. IPSAS 30 requires disclosure of information about the significance of financial instruments for an entity's financial position and financial performance. These include:

a) Disclosures relating to the entity's financial position – including information about financial assets and financial liabilities by category, special disclosures when the fair value option is used, reclassifications, derecognitions, pledges of assets, embedded derivatives and breaches of terms of agreements;

b) Disclosures relating to the entity's performance in the period – including information about recognised revenue, expenses, gains and losses; interest revenue and expense; fee revenue; and impairment losses;

c) Special disclosures for concessionary loans;

d) Other disclosures – including information about accounting policies, hedge accounting and the fair values of each class of financial asset and financial liability;

e) IPSAS 30 requires disclosure of information about the nature and extent of risks arising from financial instruments;

f) Qualitative disclosures about exposures to each class of risk and how those risks are managed; and

g) Quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk, and market risk. Disclosures about liquidity risk include maturity analyses for both non-derivative and derivative liabilities such as issued financial guarantee contracts. Disclosures about market risk include sensitivity analyses.

18.4. POLICY GUIDANCE

18.4.1 For the UN, the main financial instruments are amounts relating to investments in the cash pools and contributions receivable balances, both of these categories are to be initially measured at fair value. For the cash pool balances, these shall be treated as cash equivalents or investments by nature of the investment in accordance with the pro-rata share held by each pool participant in the cash pool(s). Such pro-rata investment balances in the cash pool(s) will be reflected in the Statement of Financial Position of UN Secretariat entities and other pool participants as cash equivalents, short-term investments, long-term investments, and interest receivable which will in effect mirror what each cash pool has invested in and further allocate to each pool participant based on their invested share in the pool(s). Additional note disclosures required by IPSAS 30 for financial instruments will be reflected in the notes to the financial statements of the UN Secretariat entities.

18.4.2 Policy guidance specific to the cash pool(s):

a) Assets of the cash pool(s) disclosed in the notes of pool participants will reflect investments according to their nature, i.e. as cash, cash equivalents, accrued interest receivable, short-term and long-term investments. The liabilities of the cash pool(s) will reflect the obligations to the pool participants.

b) Disclose in the notes of pool participants' FS their share of the assets in the cash pool(s) by category.

c) Disclose in the notes the portion of the cash pool(s) pertaining to non-UN Secretariat entities.

d) Disclose in the notes to the FS of each pool participant the relevant disclosures for investments as required by IPSAS 30, including investment objectives, the liquidity and performance of the pool(s), policies on accepting and controlling risks, exposure to concentrations of credit risks, credit rating by investment type and information on interest rate and currency risks, price risks and sensitivity analysis of interest rates. Disclose additionally an explanation noting that risk management disclosures in pool participant's financial statements are based on the total cash pool(s) but only a portion relates to the pool participant preparing the financial statements.

e) Disclose a reconciliation of opening and closing balances by type of instrument and currency.

f) Disclose information on any derivatives held.

g) Disclose the revenue by category, including interest revenue, revenue from sale of investments, revenue from foreign exchange gains and losses.

h) Classify the investments within cash pools as investments valued at fair value through surplus or deficit. Valuation to market will be done two times per year (30 June and 31 December) in order to reflect the needs of reporting for Volume II and other UN reporting entities. In addition, each pool participant shall classify investments in cash pool(s) by their nature in the Statement of Financial Position and these investments shall also be valued at fair value through surplus or deficit.

i) Move from settlement date accounting to trade date accounting.

j) Investments outside of the cash pools will generally follow the same accounting policies as above and will be classified as cash equivalents, short-term investments and long-term investments based on the nature.

18.4.3 Specific to receivables balances, policy guidance is as follows:

a) UN Secretariat entities recognise their assessed and voluntary contributions receivable balances at nominal value (proxy to fair value at the time of recognition).

b) Receivables are to be classified into current and non-current with current receivables outstanding for amounts due within twelve months of the reporting date, while non-current receivables are those that are due more than twelve months from the reporting date of the financial statements. Receivables are to be categorized within loans and receivables category of financial instruments. Receivables shall be recognised at cost less any potential impairment losses.

c) Allowances for estimated irrecoverable amounts are recognised for receivables when there is objective evidence that the asset is impaired, whereby the impairment losses are recognised in the Statement of Financial Performance.

d) For assessed contributions receivable from Member States who specifically contested the amounts, these will be considered for full allowance.

e) For long outstanding assessed contributions receivable from Member States who agree to pay them off in accordance with an agreed upon payment plan, the value of such receivables will be calculated using present value approach by discounting future cash flows to the reporting date. If no payment plans are in place, then general allowance method will be used in accordance with sub-paragraphs 18.4.3(f) and 18.4.3(g) below.

f) For all assessed contributions receivables that are overdue 4 years and more, 100% allowance is recommended for financial reporting purposes. Write-off of receivables is not addressed by this IPSAS policy framework, as the General Assembly is the final authority to determine the write-offs of balances of assessed receivables outstanding from Member States.

g) Fair values of unpaid assessed contributions that are outstanding for periods up to 4 years are to be computed using allowance of 80% for receivables overdue by more than 36 months, allowance of 60% for receivables overdue by more than 24 months, and 20% for receivables overdue by more than 12 months.

h) For receivables that are outstanding from Member States that either no longer exist or whose seat was overtaken by another Member State (e.g. former Yugoslavia and Taiwan), receivables are proposed to be written off when IPSAS opening balances of receivables are measured, since these receivables are not expected to be collected; this would require approval of the General Assembly.

i) For voluntary contributions receivable, trade receivables and other receivables, the policy guidance is 25% allowance for receivables outstanding longer than 12 months, 60% for receivables outstanding longer than 24 months and 100% for receivables outstanding longer than 36 months. Provisioning will first go through specific identification of accounts receivable subject to allowance provisions and then the general allowance based on ageing will be applied.

j) Write off of receivables is not specifically prescribed by IPSAS and is not addressed in this document; decisions for write-offs are considered at the management level, or in the case of assessed or voluntary contributions from Member States – at the General Assembly level or Executive Body level as appropriate.

18.4.4 Subsequent measurement of all financial instruments is at fair value except for:

a) certain loans and receivables with fixed or determinable future payments; and

b) long-term financial liabilities.

These can be measured at amortized cost using the effective interest method. Costs of acquisition are included in the initial carrying amount of assets held at amortized cost as detailed in table above.

18.4.5 Financial instruments are recognised when the UN becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and the UN has transferred substantially all the risks and rewards of ownership.

18.4.6 Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise.

19. IPSAS 5 – BORROWING COSTS

19.1. SUMMARY

This standard prescribes the treatment of borrowing costs that should, as a benchmark treatment, be expensed when incurred, or as an allowed alternative treatment, be capitalised to the cost of a qualifying asset. The UN Task Force has recommended that such costs be expensed. The UN does not generally borrow funds; however, there have been cases when loans were arranged in the context of building acquisitions and building renovations, and there have been some cases of borrowing between UN Secretariat entities.

19.2. STANDARD

19.2.1 Borrowing costs should be recognised as an expense in the financial period in which they are incurred. Alternatively, costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (i.e. office building, hospitals, etc.) should be capitalised as part of the cost of that asset.

19.2.2 The amount of borrowing costs eligible for capitalization on that asset is an amount equal to the actual borrowing costs incurred on that borrowing during the financial period less any investment income on the temporary investment of these borrowings.

19.2.3 To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization should be determined by applying a capitalization rate to the outlays on such assets.

19.2.4 The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the financial period, other than borrowings made specifically for obtaining a qualifying asset.

19.2.5 The amount of borrowing costs capitalised during a financial period should not exceed the amount of borrowing costs incurred during that financial period.

COMMENCEMENT, SUSPENSION AND CESSATION OF CAPITALIZATION

19.2.6 The capitalization of borrowing costs commences when the outlays for the asset are being incurred, borrowing costs are being incurred, and the activities to bring the asset to its intended use have started. It is suspended when active development is interrupted and costs are expensed. It is ceased when the asset is ready for its intended use.

19.3. UN DISCLOSURE

19.3.1 The entity shall disclose, in the financial statements, the accounting policy adopted for borrowing costs. If borrowing costs are capitalised, the amount of borrowing costs capitalised during the financial period and the capitalization rate used are also to be disclosed.

19.4. POLICY GUIDANCE

19.4.1 Borrowing costs will be capitalised as part of the cost of an asset constructed or produced, and will include any fees associated with standby facilities, even if the facility is not utilized.

19.4.2 Borrowing costs will be calculated for borrowings between UN Secretariat reporting entities.

20. IPSAS 4 – THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

20.1. SUMMARY

This standard establishes the accounting policies for foreign currency transactions and operations. The UN Secretariat entities will use the US dollar as the functional currency and presentation currency for their IPSAS-compliant financial statements. Therefore, in the context of this standard, non-US dollar currencies should be considered foreign currencies.

20.2. STANDARD

20.2.1 The functional and presentation currency of the UN Secretariat entities is the US dollar. The exchange rate used shall be the UNORE, which has been determined through analysis to approximate the market spot rate; the UNORE is adjusted at year end to ensure that the “closing rate” is very closely aligned with the market spot rate.

20.2.2 At the date of transaction, a non-US dollar transaction shall be recorded in US dollars (functional currency) by applying to the non-US dollar amount the exchange rate between that currency and the US dollar announced by the UN Treasury for that period.

20.2.3 At each reporting date, non-US dollar monetary items in the statement of financial position, not in the functional currency, shall be translated using the official closing rate for that reporting date, non-monetary items (e.g. property, plant and equipment) using the rate at the date of transaction, and non-monetary items carried at fair value using the rate at the recognition date on which the in-kind contribution is received.

20.2.4 Exchange gains and losses resulting from the settlement of transactions other than in the functional currency and from translation shall be included in the statement of financial performance.

Operations Abroad

20.2.5 The financial statements of the UN Secretariat entities include a number of operations and entities which are based in non-US dollar countries. However, these offices are considered to have a functional currency of the US dollar, since their revenue is largely based in US dollars.

20.2.6 Where operations abroad are considered to have a functional currency which is the US dollar, its non-US dollar transactions and non-US dollar assets and liabilities shall be translated as described above, with related gains and losses included in the statement of financial performance.

20.2.7 Where an entity is considered to have a functional currency other than the US dollar, in order to translate its financial statements to the US dollars, assets and liabilities shall be translated from the functional currency using the closing rate, items in the statement of financial performance using the UNORE at the date of transaction, and all resulting exchange differences shall be recognised as a separate component of net assets.

Translation of Financial Statements

20.2.8 If in the future the UN functional and reporting currencies differ, assets and liabilities shall be translated from the functional currency into the presentation currency using the closing rate, items in the statement of financial performance using the rates applicable on the date of the transactions, and all resulting exchange differences shall be recognised as a separate component of net assets.

20.3. UN DISCLOSURE

20.3.1 The amount of exchange differences recognised in surplus or deficit, and/or in net assets, and a policy note on the treatment of currency risk should be disclosed.

20.4. POLICY GUIDANCE

20.4.1 The functional and presentation currency of UN Secretariat entities is the US dollar.

20.4.2 UN entities will apply the UNORE, which approximates the market rate, to record non-US dollars transactions. The UNORE may be revised more frequently in periods of significant fluctuation.

20.4.3 Transactions in currencies other than US dollars are translated into US dollars at the prevailing monthly UNORE at the time of transaction. Financial assets and liabilities in currencies other than US dollars are translated into US dollars at the prevailing UNORE closing rate at the reporting date.

20.4.4 Exchange gains and losses resulting from the settlement of transactions other than in the functional currency and from translation are included in the Statement of Financial Performance.

DISCLOSURE

21. IPSAS 14 – EVENTS AFTER THE REPORTING DATE

21.1. SUMMARY

This standard prescribes when an entity should adjust its financial statements for events after the reporting date and the disclosures that an entity should make about the date when the financial statements were authorized for issue and about events after the reporting date.

21.2. STANDARD

AUTHORIZING THE FINANCIAL STATEMENTS FOR ISSUE

21.2.1 In order to determine which events satisfy the definition of events after the reporting date, it is necessary to identify both the reporting date and the date on which the financial statements are authorized for issue.

21.2.2 The United Nation's reporting date is 31st December of each year and its financial period is currently a two-year period, except for peacekeeping operations. The date of authorization for issue is the date on which the Secretary-General shall submit the final financial statements to the External Auditor by 31 March of the following year according to the Financial Regulations. In the case of peacekeeping operations, the annual accounts for peacekeeping operations with special accounts for the annual financial period ending 30 June shall be submitted by the Secretary-General to the Board of Auditors no later than 30 September each year.

The External Auditor issues a report on the audit of the annual financial statements. This report and the annual audited financial statements are presented at the next session following the report. The Secretary-General transmits them to the General Assembly with such comments as deemed necessary (Financial Regulation 7.12). The issue date is therefore considered to be the date that the statutory annual financial statements are released to the External Auditor for examination and opinion.

21.2.3 All material events that take place between the reporting date and the authorization for issue of the UN's statutory annual financial statements that provide indication of conditions at the reporting date and are material enough to require an adjustment and applicable update in disclosure to the financial statements are referred to as adjusting events.

Some examples of the above are: (a) the resolution of a court case after the reporting date due to a present obligation at the reporting date; (b) information about an impairment of an asset at the reporting date; (c) the cost of an asset or proceeds from the sale of an asset become determinable after the reporting date; and (d) fraud or material errors have been discovered.

21.2.4 All material events that take place between the reporting date and the authorization for issue of the UN's statutory annual financial statements which are indicative of conditions that came into existence only after the reporting date qualify for disclosure and are referred to as non-adjusting events.

For example, the following would all qualify as non-adjusting events: (a) announcement or beginning of the implementation of a major restructuring; (b) announcement of a plan to discontinue a material operation; (c) major purchases or sale of assets; (d) occurrence of a catastrophe or destruction of certain assets; and (e) material changes in exchange rates.

GOING CONCERN

21.2.5 An entity shall not prepare its financial statements on a going concern basis if those responsible for the preparation of the financial statements or the governing body determine after the reporting date that there is either an intention to liquidate the entity, to cease operating, or that there is no realistic alternative but to do so.

21.3. UN DISCLOSURE

21.3.1 The date when the financial statements were authorized for issue, and the name and identity of the person giving that authorization need to be disclosed. If another body has the power to amend the financial statements after issuance, this fact should be disclosed as well.

21.3.2 The UN shall disclose the following for each material category of non-adjusting event after the reporting date: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

21.4. POLICY GUIDANCE

21.4.1 Adjustments to the UN's annual financial statements are made to reflect adjusting events after the reporting date. Examples of adjusting events include (a) resolution of a court case after the reporting date due to a present obligation at the reporting date; (b) information about an impairment of an asset at the reporting date; (c) the cost of an asset or proceeds from the sale of an asset become determinable after the reporting date; and (d) fraud or material errors have been discovered.

21.4.2 No adjustments are made to the amounts recognised in the UN's financial statements to reflect non-adjusting events after the reporting date. There would be no adjustment for the following events: (a) announcement or beginning of the implementation of a major restructuring; (b) announcement of a plan to discontinue a material operation; (c) occurrence of a catastrophe or destruction of certain assets; and (d) material changes in exchange rates.

22. IPSAS 16 – INVESTMENT PROPERTY

22.1. SUMMARY

This standard prescribes the accounting treatment for investment property and related disclosures.

22.2. STANDARD

22.2.1 Investment property does not include:

a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
b) Owner occupied property ;
c) Property held to deliver a social service that also generates cash flows. Such property is accounted for in accordance with IPSAS 17;
d) Property under construction for third parties; and
e) Property occupied by employees.

22.2.2 Investment property is land or building held (whether by the owner or under a finance lease) to earn rental or capital appreciation , or both rather than for:

a) use in the production or supply of goods or services , or for administrative purposes; or
b) sale in other ordinary course of operations.

22.2.3 Investment property should be recognised as an asset, when it is likely that future economic benefits or service potential that are associated with the entity will flow to the entity and cost or fair value of investment property can be determined reliably.

Some examples of the above are: (a) Land held for long term capital appreciation in value, rather than for short term sale in the ordinary course of business; (b) Land whose future use has not yet been determined. If the future use has not yet been determined, land is assumed to be held for capital appreciation; (c) A building owned or held under finance lease and leased out under an operating lease to third parties in return for rental income;(d) A building that is vacant, but held to be leased out under an operating lease ;(e) Existing investment property being redeveloped for continuing use as investment property

22.2.4 Investment property shall be initially measured at cost or fair value if acquired in a non-exchange transaction.

22.3. UN DISCLOSURE

22.3.1 Where classification of investment property is difficult, the criteria used by the UN to distinguish investment property from owner occupied property and for property held for sale in the ordinary course of business should be disclosed. The following disclosures are required to be made in the financial statements:

a) Disclosure of existence and amount of restriction on realising investment property or the remittance of income and proceeds of disposal; and

b) A reconciliation of the carrying amount of investment property at the beginning and end of each period presented:

i. Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of the asset;

ii. Net exchange differences arising on the translation of the financial statements into a different presentation currency and on translation of foreign operation into the presentation currency of reporting entity.

iii. Transfers to and from inventories; and owner occupied properties; and

iv. Other Changes.

22.4. POLICY GUIDANCE

22.4.1 The UN will apply professional judgment to determine whether a property is qualified as investment property or not. The property would not be classified as investment property if it is:

a) used for administrative purposes;

b) used in the manufacture of goods or supply of services; and

c) to be sold in ordinary course of business.

To determine whether or not land and buildings should be recorded as investment property in the accounting records of the Organization, professional judgement is required to apply the principles of the standard to the specifics of the arrangements.

For example, the United Nations Economic Commission for Africa (UNECA) owns and maintains United Nations premises. UNECA have UN agencies on its premises and conveyed to them exclusive right to occupy and use offices and other spaces in the compound. UNECA in turn charges rent and common operational costs to the occupying agencies on a monthly basis.

However, the UNECA premises cannot be considered as an investment property because the objective is not for UNECA to earn rental or capital appreciation. The property was built to satisfy the GA resolutions (44/221 of 22 December 1989 and 47/199 of 22 December 1992) to establish common UN premises in a way that would increase efficiency through consolidation of administrative infrastructures.
UNECA common premises will be considered part of property, plant and equipment in the statement of financial position with additional disclosures in the notes to the UN financial statements.

22.4.2 After initial recognition, the UN will adopt cost model for valuation of investment property. In cost model, the investment property is measured at depreciated cost less any accumulated impairment losses.

22.4.3 If the UN chooses to adopt fair value model at the time of acquisition of investment property and there is clear evidence that the UN is unable to determine fair value on continuing basis, the cost model will be used for that property and it shall continue to be used until its disposal. In that case, residual value of investment property shall be assumed to be zero.

22.4.4 A property may be classified by the UN as part of property plant and equipment if it is used by the UN for administrative purposes. However, should the UN cease to use that building for this purpose and make the decision to lease the building to a third party (assuming this is not in normal course of the UN's operations) this property should be treated as investment property. Accordingly, the asset would be transferred from property plant and equipment to investment property at cost less accumulated depreciation.

22.4.5 The cost of investment property includes transaction costs and directly attributable costs incurred on preparing the asset for its intended use. Fair value of investment property can be disclosed in notes to the financial statements. Equipment and furnishings physically attached to a building are considered part of the investment property. For example, lifts escalators, air conditioning units, decoration and installed furniture are included as part of the cost of investment property and are not separately classified as PP&E.

23. IPSAS 18 – SEGMENT REPORTING

23.1. SUMMARY

This standard prescribes principles for reporting financial information by segments to better understand past performance of the UN and to identify the resources allocated to support its major activities and enhance the transparency of financial reporting.

23.2. STANDARD

23.2.1 When the activities are broad and encompass a wide range of different geographical regions, with different socio-economic characteristics, it is necessary to report disaggregated financial and non-financial information about particular segments to provide relevant information for accountability and decision-making purposes.

23.2.2 The types of segments reported are referred to as service segments or geographical segments. These terms have the following meanings:

a) a service segment refers to a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives consistent with its overall mission;

b) a geographical segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives within a particular geographical area.

JOINT ASSETS

23.2.3 Assets that are jointly used by two or more segments should be allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments.

NEWLY IDENTIFIED SEGMENTS

23.2.4 If a segment is identified as a segment for the first time in the current financial period, prior financial period segment data presented for comparative purposes should be restated to reflect the newly reported segment as a separate segment, unless it is impracticable to do so.

ACCOUNTING POLICY FOR SEGMENT REPORTING

23.2.5 Segment reporting for UN Secretariat entities is based on service segments which are activities or pillars; the segments by pillars for UN operations, except peacekeeping, would reflect the activities of the following Financial Statement volumes: Regular Budget (Vol. 1), ITC, UNITAR, UNCC, UNEP, UNHABITAT and UNODC etc.

Reporting Structure

23.2.6 In some cases, an organization may report financial information (segment revenue, expense, assets and liabilities) on the basis of more than one segment structure, for example, by both service and geographical segments.

23.2.7 Although the UN internal reporting includes some regional financial and non-financial information, the reporting focuses more on service segments rather than regional segments.

23.3. UN DISCLOSURE

23.3.1 The UN will seek to undertake segment reporting based on the principal activities or pillars.

23.3.2 Some internal activities lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements by segment.

23.4. POLICY GUIDANCE

23.4.1 Except for Volume II, segment reporting for UN Secretariat entities will be based on activities by pillars. (the UN will explore the possibility of extending the pillar approach to other reporting entities). These segment pillars include:

a) Political & Peacekeeping Affairs;

b) International Justice and Law;

c) Cooperation and Development;

d) Human Rights and Humanitarian Affairs;

e) Public Information and Communications;

f) Environmental Affairs;

g) Security and Safety

h) Drug Control

i) Crime Prevention

j) Common Support Services; and

k) Other.

23.4.2 Only the Statement of Financial Performance would be considered in the transitional phase and segments on pillars for the Statement of Financial Position can only be considered with the full deployment of ERP/Umoja.

23.4.3 Other service-based segments may be applied as deemed appropriate. For example, the United Nations Volume II peacekeeping operations, which is a single fund group, reporting will be by three segments:

a) Closed Missions;

b) Active Missions; and

c) Support Activities.

23.4.4 Further relevant information will be provided on a mission basis.

24. IPSAS 20 – RELATED PARTY DISCLOSURES

24.1. SUMMARY

The objective of this standard is to set the disclosure requirements for transactions between the UN and its related parties in certain circumstances.

24.2. STANDARD

24.2.1 Related party relationships are disclosed in the notes to the financial statements where control exists. Transactions with related parties, unless they occur within a normal relationship of supplier or client/recipient and on arms-length terms and conditions, are also disclosed.

24.2.2 Specific transactions with key management personnel and close members of their families are disclosed in the notes to the financial statements.

24.2.3 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

24.2.4 In considering each possible related party relationship, attention is directed to the substance and not merely the legal form of the relationship.

24.2.5 In general terms, key management personnel include all directors or members of the governing body where that body has the authority and responsibility for planning, directing and controlling the activities of the entity.

24.3. UN DISCLOSURE

24.3.1 The UN should disclose related party transactions and management remuneration (including an analysis by type of remuneration).

24.3.2 In respect of transactions between related parties, the UN should disclose:

a) the nature of the related party relationships;

b) the types of transactions that have occurred; and

c) the elements of the transactions necessary to clarify the significance of these transactions to operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

24.3.3 The following are examples of situations where related party transactions may lead to disclosures by the UN:

a) rendering or receiving of services;

b) purchases or transfers/sales of goods (finished or unfinished);

c) purchases or transfers/sales of property and other assets;

d) agency arrangements;

e) leasing arrangements;

f) transfer of research and development; and

g) licence agreements, guarantees and collaterals.

24.3.4 In respect of specific transactions with key management personnel and close members of their families, the UN should disclose:

a) aggregate remuneration of key management personnel and the number of individuals, divided into major classes of key management personnel;

b) aggregate of all other remuneration and compensation, divided into that provided to key management and that provided to family members;

c) information about loans provided to key management personnel and close members of their families, where the loans are not widely available to persons who are not key management personnel or the loans are not widely known by members of the public.

24.4. POLICY GUIDANCE

24.4.1 Transactions with entities within the UN Secretariat are considered eligible for disclosure as related party transactions.

24.4.2 For the United Nations, Key Management Personnel (KMP) comprises officials at the grades of Secretary-General, Deputy-Secretary General, Under-Secretary General and Assistant-Secretary General and their equivalents in the UN entities governed by an Executive Board.

24.4.3 Aggregate monetary and non-monetary, where measurable, benefits to KMP will be disclosed.

PRESENTATION DIFFERENCES BETWEEN UNSAS & IPSAS

Financial Statements	UNSAS	IPSAS
I. Statement of Financial Position - previously Statement of Assets, Liabilities and Reserves and Fund Balances		
i. Fund Accounting	Financial position by fund group shown on face of statement	Aggregate position only shown on face of statement (individual funds/fund groups shown in notes to the financial statements). Each fund must account for all its assets, and liabilities. Funds not controlled and funds jointly controlled will be moved to the notes to the financial statements
ii. Current and non-current	No distinction between current and non-current	Presentation of assets and liabilities by current (<12mths) and non-current
iii. Assets	Limited categories of assets recognised, expenditure on fixed assets, inventories and intangible assets expensed immediately	Recognition of all assets – notably property, plant & equipment, inventories and intangible assets
iv. Accounts receivable/ payable	No distinction between exchange and non-exchange balances; no adjustment for impairment	Balances relating to exchange and non-exchange transactions to be disclosed separately. Accounts receivable to be shown net of allowances for doubtful accounts. Separation of financial receivables/payables from other receivables/payables required

Financial Statements	UNSAS	IPSAS
v. Liabilities for employee benefits	Disclosure in notes allowed under UNSAS; recognition of post-employment benefits has commenced as part of progressive implementation of IPSAS	Recognition of all employee benefit liabilities, most notably post-employment benefits, including ASHI
vi. Unliquidated obligations	Unliquidated obligations appear as expenditure and a liability on the face of the statement	No longer recognised as liabilities. However, contractual commitments are to be disclosed in the notes
II. Statement of Financial Performance - previously Statement of Income and Expenditure and Changes in Reserves and Fund Balances		
i. Fund accounting	Financial result by fund group shown on face of statement	Aggregated result only shown on face of statement (individual funds/fund groups shown in notes to the financial statements). Each fund must accounts for all its revenue, expenses. Funds not controlled and funds jointly controlled will be moved to the notes to the financial statements
ii. Expenses	Presented as one line on the face of Statement of Financial Performance. Expenses include amounts related to asset purchases and to unliquidated expenditure	Split on the face of Statement of Financial Performance by nature of expense. Expenses do not include asset purchases but include depreciation/ amortisation, as well as all accrued expenses

Financial Statements	UNSAS	IPSAS
iii. Depreciation/amortization	No depreciation charge (costs charged immediately to expenses)	Property, plant and equipment/intangible assets recognised and related depreciation/amortization charge shown on the statement
iv. Exchange rate	UNORE used	UNORE more closely aligned to the market
III. Statement of Changes in Net Assets		
i. Presentation	Statement not separately prepared under UNSAS	Statement required under IPSAS. It includes adjustment for initial recognition of assets and liabilities not previously recognised
IV. Statement of Cash flows		
i. Presentation	Statement prepared using indirect method for operating, investing and financing activities	Statement prepared using indirect method for operating activities, and direct method for investing and financing activities.
V. Statement of Comparison of Budget and Actual Amounts		
i. Disclosure	Includes only budget to actual amounts for biennium (non-PKO); variances analysis not presented with FS	Based on annual budget amounts. Also compares original and final budgets. Explanation of material variances required in conjunction with the FS

Financial Statements	UNSAS	IPSAS
ii. Disclosure	Reconciliation not relevant	Budget to actual reconciliation required reflecting the difference in bases for the FS and the budget
VI. Notes to the Financial Statements		
i. Disclosure	Disclosure requirements under UNSAS comparatively limited	IPSAS 1 outlines note structure and other IPSAS standards outline specific disclosure requirements. New notes requirements for Key Management Personnel and their relatives; transactions with other related parties; events after reporting date; investment policies, classification and risks; policies on FV valuing other financial assets and liabilities and arrangements; employee benefit liabilities and details on associated actuarial assumptions and plan assets; movements in PP&E and intangible assets by class; segment reporting; budget information and variance analysis.
ii. Segment reporting	Not required	Segment reporting required for assets, liabilities, revenue and expenses
iii. Budget reconciliation	Not required	Reconciliation between expenditure (on budgetary basis) and the cash flow

Financial Statements	UNSAS	IPSAS
		statements required

Appendix A: MODEL FINANCIAL STATEMENTS

About the Model Financial Statements

The following model financial statements represent current expected presentation of the United Nations financial statements under IPSAS. They were developed considering presentation guidance issued by the UN Task Force on Accounting Standards for the UN system wide application. The model financial statements are subject to improvements and updates as the policy framework evolves to its final version. Note also that comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSAS. The statements presented in the following model financial statements are the four principal financial statements for the UN Volumes I and II; the financial statement format relating to the other UN Secretariat reporting entities will be developed along the lines of these models.

PROPOSED IPSAS FORMAT: UNITED NATIONS: VOLUME I

STATEMENT OF FINANCIAL POSITION

United Nations Volume I - Statement of Financial Position
As at 31 December 20X1
(Thousands of United States Dollars)

	Notes	31-Dec 20X1	31-Dec 20X0
ASSETS			
Current Assets			
Cash and cash equivalents			
Short term investments			
Assessed contributions receivable			
Voluntary contributions receivable			
Other accounts receivable			
Loans receivable, short-term			
Advance transfers			
Inventories			
Other current assets			
Total current assets			
Non-current assets			
Long term investments			
Voluntary contributions receivable			
Other accounts receivable			
Loans receivable, long-term			
Advance transfers			
Property, plant and equipment			
Intangible assets			
Other non-current assets			
Total non-current assets			
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable - Member States			
Accounts payable – other			
Transfers payable			
Advance receipts			
Borrowings			
Employee benefits			
Provisions			
Other current liabilities			
TOTAL CURRENT LIABILITIES			
Non-current Liabilities			
Transfers payable			
Advance receipts			
Borrowings			
Employee benefits			

United Nations Volume I - Statement of Financial Position As at 31 December 20X1 (Thousands of United States Dollars)			
Provisions			
Other non-current liabilities			
Total non-current liabilities			
TOTAL LIABILITIES			
NET ASSETS			
Accumulated surpluses/(deficits) - unrestricted			
Accumulated surplus – restricted			
Reserves			
TOTAL NET ASSETS			

CURRENT ASSETS

Cash and cash equivalents	Cash (in bank); Cash equivalent portion of the share of investments in the cash pool(s); Term Deposits, Petty Cash. Other short-term highly liquid investments (readily convertible to cash and subject to an insignificant risk of changes in value with maturity 0 to 3 months at time of purchase). Cash and cash equivalents – restricted
Assessed contributions receivable	Member States Assessed Contributions receivable Allowance for doubtful AR to be netted and detailed in Notes
Voluntary contributions receivable	Voluntary Contributions, confirmed & unpaid, from Member States Voluntary Contributions, confirmed & unpaid, from other parties A/R for in-kind donations (that are part of formal donation arrangement) Interest receivable from implementing partners - Allowance for doubtful AR to be netted and detailed in Notes
Other accounts receivable	Receivables from sales (PP&E, inventory…etc) Other receivables (accrued interest…etc) Loans receivable from staff Receivables from revenue producing activities Receivables for finance lease as lessor (short-term)All other receivables Allowance for doubtful AR to be netted and detailed in Notes

Short-term investments	Pro-rata portion of the share of investment in cash pool(s) that corresponds to short-term investments of the cash pool(s) Other short-term investments with remaining maturities of less than one year
Loans receivable, short-term	ST Loans receivable from agencies and implementing partners
Inventories	Consumables and supplies: o Maintenance materials o Spare parts and accessories o Other (supplies...etc) Held for Sale or Distribution: o Postal service supplies held for sale (example, UN stamps) o Books and Publications o Liquor o Other Raw materials and WIP
Advance transfers	Advances to implementing partners (short-term) UNDP SCA (Service Clearing Account)
Other current assets	Deferred charges (short-term) Interfund balances receivable Advances to staff

NON-CURRENT ASSETS

Long-term investments	Pro-rata portion of the share of investment in cash pool(s) that corresponds to long-term investments of the cash pool(s)
Voluntary contributions receivable	Member States Other long term receivables Net of Allowance for doubtful AR (amount detailed in Notes)
Other accounts receivable	Loans and advances to staff (long-term) Receivables from revenue producing activities (long-term) All other receivables (long-term)
Loans receivable, long-term	LT Loans receivable from agencies and implementing partners
Advance transfers	Advances made to partners: other organizations, NGOs etc which are not expected to be utilized within the next 12 months
Property, plant and equipment, net	Communication and IT Equipment Vehicles Furniture and Fixtures Leasehold Improvements Buildings Land Infrastructure Investment Property Construction in progress

	Other Long-term donated right to use premises arrangements (Presented net of depreciation to be detailed in Notes)
Intangible assets	Software acquired Software internally generated Intangibles under development Licenses & Rights Copy rights Other intangible assets
Other non-current assets	Deferred charges (long-term) Security Deposits (long term) Bonds outstanding Receivables for finance lease as lessor (long-term) Investment in joint entities, equity method Other

CURRENT LIABILITIES

Accounts payable - Member States	Regular claims payable Credits returned to Member States (equiv. to current acc. 2130)
Accounts payable – other	Vendor Payables Non benefit staff payables Accruals for goods and services a) Expense Accrual for Rent b) Expense accrual for operating leases c) Accrued telephone expenses d) Accrued electricity expenses e) Accrued expenses for water bills
Transfers payable	Payable (to implementing agencies and partners) Payables due to funding sources
Advance receipts	Liabilities for conditional arrangements Contributions or payments received in advance Member States assessments Voluntary contributions Deferred revenue
Borrowings	Short-term loans Finance leases (short-term)
Employee benefits	Short-term accrual for staff benefits Employee salaries and benefits payroll
Provisions	Litigation and claims (e.g. legal claims) Restructuring Restoration Other
Other current liabilities	Interfund balances payable LPSB recoveries from staff Performance bond (to vendors due in <12 months) Advance receipts from staff / former staff for ASHI, entitlements, etc. Other

Non-Current Liabilities

Transfers payable	Payable (to implementing agencies and partners), long-term Payables due to funding sources, long-term
Advance receipts	Liabilities for conditional arrangements Contributions or payments received in advance Voluntary contributions Deferred revenue (long-term)
Borrowings	Long-term loans Finance leases (long-term)
Employee benefits	Long-term (per actuarial report) e.g.: ASHI Repatriation benefits Annual leave
Provisions	Self-insurance claims Litigation and claims Restructuring Restoration Other
Other non-current liabilities	Liabilities under long-term donated right to use premises arrangements Other

Net Assets

Accumulated surpluses/(deficits) – unrestricted	Net surplus/deficit for the year Accumulated unrestricted surpluses/ deficits of prior years Accumulated position on ASHI, Repatriation, unused annual leave and other long-term and post-employment employee benefits. Accumulated position on Initial recognition of Assets and Liabilities-Opening balance (PP&E, inventories, provisions …etc)
Accumulated surplus – restricted	Net surplus/deficit for the year for earmarked funds Accumulated surpluses/ deficits of prior years for earmarked funds Surplus to be transferred for earmarked funds Opening balance adjustments
Reserves	Working Capital reserve, authorised retained reserve, fund principal from contributions or reserves, which the United Nations prefers to track separately

STATEMENT OF FINANCIAL PERFORMANCE

The United Nations Volume I - Statement of Financial Performance For the Year ended 31 December 20X1 (Thousands of United States dollars)			
	Notes	31-Dec 20X1	31-Dec 20X0
REVENUE			
Assessed contributions			
Member States voluntary contributions			
Other voluntary contributions			
Inter-organizational arrangements			
Other transfers and allocations			
Investment revenue			
Contributions for self-insurance programmes			
Revenue producing activities			
Revenue from services rendered			
Programme support revenue			
Other/miscellaneous revenue			
TOTAL REVENUE			
EXPENSES			
Employee salaries, allowances and benefits			
Non-employee compensation and allowances			
Grants and other transfers			
Supplies and consumables			
Depreciation and amortization			
Impairment of assets			
Self-insurance claims and expenses			
Travel			
Finance costs			
Other operating expenses			
Programme support and prorated expenses			
Other expenses			
TOTAL EXPENSES			
SURPLUS/DEFICIT FOR THE PERIOD			

REVENUE

Assessed Contributions	Assessed Contributions from Member States
Voluntary contributions	Other voluntary contributions, in cash and goods in-kind Contribution from non-member states
Member States voluntary contributions	Member States voluntary contributions , in cash and goods in-kind
Inter-organizational arrangements	Revenue from under inter-organizational arrangements
Other voluntary contributions	Other voluntary contributions, in cash and goods in-kind Contribution from non-member states

Other transfers and allocations	Allocations from other funds
Investment revenue	Investment Revenue Coupons and gains Bank balances interest Realized market gain (loss) Unrealized market gain (loss) Net of Investment expenses
Contributions for self-insurance programmes	Revenue from contributions for self-insurance programmes from Organization and staff
Revenue producing activities	Sale and use of television Sale and use of films Stamp sales and sales of publications Sale of stamps Garage administration activities
Revenue from services rendered	Reimbursement for telecommunication charges Reimbursement from other agencies for cost associated with issuing UNLPs Reimbursement for the UN language service Reimbursement for services Other reimbursement income Revenue earned in addition to reimbursement charges
Programme support revenue	Revenue from program support charges Administrative fees
Other/miscellaneous revenue	Revenue from rental of premises Foreign exchange gains Other miscellaneous income Gain on sale of PP&E, intangible assets Internal transfers of PP&E, intangible assets Tax equalization– staff assessment income

EXPENSES

Employee salaries, allowances and benefits	Staff salaries and wages, allowances including taxes and ED grant home leave, family visit, rest and recuperation and ED travel Expenses for long-term and post-employment employee benefit liabilities, termination benefits, net actuarial gains / losses, contribution to UNJSPF Actuarial pension contribution corrections (e.g. due to changes in demographic factors) GTAs compensation and allowances Travel on appointment UNVs compensation and allowances, defined pension benefits for judges and former SGs
Non-employee compensation and allowances	Non-military personnel compensation and allowances Individual contractors and individual consultants UNV Judges allowances (ICJ) Interpreters and translators (non-staff) Ad hoc experts
Grants and other transfers	Outright grants and other transfers to implementing agencies and partners and other entities (UNFIP, CERF, etc.) QIP (Quick Impact Projects)

Supplies and consumables	Cost of inventory used Supplies expenses
Depreciation and amortization	Depreciation and amortization expenses for the period
Impairment of property, plant and equipment, intangible assets	Impairment of PP&E and intangible expenses for the period
Self-insurance claims and expenses	Claims .expenses and claims incurred but not reported related to self-insurance programmes
Travel	Travel of staff Travel of representatives (ACABQ, meeting participants, delegates, etc.)
Finance costs	Interest paid on borrowing; Fees for standby facilities Finance lease related expenses
Other operating expenses	Rent, utilities Contracted services Doubtful debt expenses Net foreign exchange losses Maintenance expenses Insurance…etc Mine action, human security and UNDEF related expenses Recruitment expenses Training, travel on training and travel on transfer Military observers and the UN Police travel (initial, rotation, etc) Expenses related to financing activities Bank charges Credits to Member States for staff assessments Loss on sale of PP&E, intangible assets
Programme support and prorated expenses	Expenses related to the programmes support activities Other support and prorated expenses
Other expenses	Ex gratia payments Foreign exchange losses Hospitality and official functions Transfers of PP&E, intangible assets Donation of assets All other unusual expenses (depending on materiality, might be shown as a separate line)

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated surpluses/ (deficits) – unrestricted	Accumulated surplus - restricted	Reserves	Total
Net Assets at the beginning of the period (1 Jan 20X1):					
Change in accounting policy					
Correction of prior period error					
Adjustment for initial recognition/de-recognition of Assets and Liabilities (PP&E, intangibles, inventories, donated right to use premises, Unliquidated obligations, joint arrangements, other)					
Adjustments for deficit position- employee benefit liabilities					
Restated Balance at the beginning of the period:					
Credits to Member States					
Refunds to donors					
Transfers between reserves					
Transfers to / from other organizations/entities					
Exchange differences on certain foreign currency translations					
Total items recognised directly in Net Assets					
Surplus/(deficit) for period					
Total recognised revenue and expense for period					
NET ASSETS AT END OF THE PERIOD (31 Dec 20X1)					

STATEMENT OF CASH FLOWS

The United Nations Volume I - Statement of Cash Flows For Year ended 31 December 20X1 (Thousands of United States dollars)			
(Indirect Method)			
	Notes	**31-Dec 20X1**	**31-Dec 20X0**
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus (deficit) - for the period			
Non-cash movements			
Depreciation and amortization			
Impairment of assets			
(Increase) decrease in assessed contributions receivable			
(Increase) decrease in voluntary contributions receivable			
(Increase) decrease in other receivables			
(Increase) decrease in inventories			
(Increase) decrease in advance transfers			
(Increase) decrease in other current assets			
(Increase) decrease in other non-current assets			
Increase (decrease) in accounts payable - Member States			
Increase (decrease) in accounts payable - Other			
Increase (decrease) in Transfers payable			
Increase (decrease) in advance receipts			
Increase (decrease) in employee benefits			
Increase (decrease) in other current liabilities			
Increase (decrease) in other non-current liabilities			
(Gains) losses on sale of property, plant and equipment			
(Gains) losses on sale of investments			
NET CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Pro-rata share of purchases of investments in the cash pool(s)			
Pro-rata share of sales of investments in the cash pool(s)			
Purchases of property, plant and equipment (PP&E)			

The United Nations Volume I - Statement of Cash Flows For Year ended 31 December 20X1 (Thousands of United States dollars)			
Purchases of intangible assets			
Issuance of loans receivable – current and non-current			
Proceeds from sale of PP&E			
Proceeds from repayment of loans receivable – current and non-current			
NET CASH FLOWS FROM INVESTING ACTIVITIES			
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from borrowings - current and non-current			
Repayment of borrowings - current and non-current			
NET CASH FLOWS FROM FINANCING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD			
Effect of exchange rate changes on foreign currency balances			
CASH AND CASH EQUIVALENTS, END OF PERIOD			

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The United Nations Volume I - Statement of Comparison of Budget and Actual Amounts For Year Ended 31 December 20X1 (Thousands of United States dollars)					
Budget Part	**Notes**	**Budget Amounts[9]**		**Actual (on a comparable basis)**	**Difference: final budget & actual**
		Original Budget	**Final Budget**		
Regular Budget					
Overall Policy-making, direction and coordination					
Overall policy-making, direction and coordination					
General Assembly affairs and conference services					
Political affairs					

[9] Based on annual amounts

Political affairs					
Disarmament					
Peacekeeping operations					
Peaceful uses of outer space					
International Justice and law					
International Court of Justice					
Legal affairs					
International cooperation for development					
Economic and social affairs					
Office of the High Representative for LDCs, LLDCs, and SIDs					
United Nations support for the New Partnership for Africa's Development					
Trade and development					
International Trade Centre UNCTAD/WTO					
Environment					
Human settlements					
International drug control, crime prevention and criminal justice					
UN Women					
Regional co-operation for development					
Economic and social development in Africa					
Economic and social development in Asia and the Pacific					
Economic development in Europe					
Economic and social development in Latin America and the Caribbean					
Economic and social development in Western Asia					
Regular programme of technical cooperation					
Human rights and humanitarian affairs					
Human rights					
Protection of and assistance to refugees					
Palestine refugees					
Humanitarian assistance					
Public information					
Public information					

Common support services					
Office for the Under-Secretary-General for Management					
Office of Programme Planning, Budget and Accounts					
Office of Human Resources Management					
Office of Central Support Services					
Administration, Geneva					
Administration, Vienna					
Administration, Nairobi					
Office of Information and Communications Technology					
Internal oversight					
Internal oversight					
Jointly financed administrative activities and special expenses					
Jointly financed administrative activities					
Special expenses					
Capital expenditures					
Construction, alteration, improvement and major maintenance					
Security and safety					
Security and safety					
Development account					
Development account					
Staff assessment					
Staff assessment					
Sub-total Regular Budget					
Technical Cooperation Activities					
General Trust Funds					
Tax Equalization Fund					
Capital Master Plan					
Capital Assets and Construction in Progress					
Other Special Funds					
Grand Total					

RECONCILIATION

The United Nations Volume I
RECONCILIATION BETWEEN THE ACTUAL AMOUNTS ON A COMPARABLE BASIS IN THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AND THE ACTUAL AMOUNTS IN THE STATEMENT OF CASH FLOWS

	Notes	20X1			
		Operating	Investing	Financing	Total
Actual Amount on Comparable Basis					
Actual Amount in the Statement of Cash Flows					

PROPOSED IPSAS FORMAT – THE UNITED NATIONS: VOLUME II

STATEMENT OF FINANCIAL POSITION

United Nations Volume II - Statement of Financial Position As at 30 June 20X1 (Thousands of United States dollars)			
	Notes	30-Jun 20X1	30-Jun 20X0
ASSETS			
Current Assets			
Cash and cash equivalents			
Short-term investments			
Assessed contributions receivable			
Voluntary contributions receivable			
Other accounts receivable			
Loans receivable, short-term			
Advance transfers			
Inventories			
Other current assets			
Total current assets			
Non-current assets			
Long-term investments			
Voluntary contributions receivable			
Other accounts receivable			
Loans receivable, long-term			
Advance transfers			
Property, plant and equipment			
Intangible assets			
Other non-current assets			
Total non-current assets			
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable - Member States			
Accounts payable – other			
Transfers payable			
Advance receipts			
Borrowings			
Employee benefits			
Provisions			
Other current liabilities			
Total current liabilities			
Non-current Liabilities			
Transfers payable			

United Nations Volume II - Statement of Financial Position As at 30 June 20X1 (Thousands of United States dollars)			
Advance receipts			
Borrowings			
Employee benefits			
Provisions			
Other non-current liabilities			
Total non-current liabilities			
TOTAL LIABILITIES			
NET ASSETS			
Accumulated surpluses/(deficits) - unrestricted			
Accumulated surplus – restricted			
Reserves			
TOTAL NET ASSETS			

CURRENT ASSETS

Cash and cash equivalents	Cash (in bank), cash equivalent portion of the share of investments in the cash pool(s), term Deposits with maturities equal to or less than 3 months, petty cash – unrestricted
	Other short-term highly liquid investments (readily convertible to cash and subject to an insignificant risk of changes in value with maturity 0 to 3 months at time of purchase) – unrestricted Cash and cash equivalents – restricted
Short-term investments	Pro-rata portion of the share of investment in cash pool(s) that corresponds to short-term investments of the cash pool(s)
Assessed contributions receivable	Member States Assessed Contributions receivable Allowance for doubtful AR to be netted and detailed in Notes
Voluntary contributions receivable	Voluntary Contributions, confirmed and unpaid A/R for in-kind donations of goods (that are part of formal donation arrangement)
Other accounts receivable	Receivables from sales (PP&E, inventory…etc) Other receivables (accrued interest…etc) Loans receivable from staff Receivables from revenue producing activities All other receivables Allowance for doubtful AR to be netted and detailed in Notes
Loans receivable, short-term	ST Loans receivable from agencies and implementing partners, other entities
Advance transfers	Advances to implementing partners (short-term)
Inventories	<u>Consumables and supplies</u>: Facilities and infrastructure spare parts CITS equipment spare parts Vehicles spare parts Surface vehicle POL Facilities and infrastructure POL Air assets – POL

	Medical supplies Other supplies Rations Uniforms and badges Security supplies Raw materials and WIP
Other current assets	Deferred charges (short-term) Inter-fund balances receivable Advances to staff Security deposits

NON-CURRENT ASSETS

Long-term investments	Pro-rata portion of the share of investment in cash pool(s) that corresponds to long-term investments of the cash pool(s)
Voluntary contributions receivable	Member States Other Net of Allowance for doubtful AR (amount detailed in Notes)
Other accounts receivable	Member States Other long term receivables Net of Allowance for doubtful AR (amount detailed in Notes)
Loans receivable, long-term	LT Loans receivable from agencies and implementing partners and other entities
Advance transfers	Advances made to partners: other organizations, NGOs etc which are not expected to be utilized within the next 12 months
Property, plant and equipment	Communication and IT Equipment Vehicles Furniture and Fixtures Leasehold Improvements Buildings Land Infrastructure Construction in progress Other (Presented net of depreciation to be detailed in the Notes)
Intangible assets	Software acquired Software internally generated Intangibles under development Licenses & Rights Copyrights Other intangible assets
Other non-current assets	Deferred charges (long-term) Security Deposits (long-term) Bonds outstanding Other

CURRENT LIABILITIES

Accounts payable: Member States	Accounts payable Member States (short term payable in less than 12 months)
Accounts payable - other	Vendor Payables Non benefit staff payables Accruals for goods and services a) Expense Accrual for Rent b) Expense accrual for operating leases c) Accrued telephone expenses d) Accrued electricity expenses e) Accrued expenses for water bills
Transfers payable	Payable (to implementing agencies and partners) Payables due to funding sources
Advance receipts	Liabilities for conditional arrangements
	Contributions or payments received in advance Member States assessments Voluntary contributions Deferred revenue
Borrowings	Short-term loans Finance leases short-term
Employee benefits	Short-term accrual for staff benefits
Provisions	Litigation and claims (e.g. legal claims) Restructuring Restoration Other
Other current liabilities	Inter-fund balances payable LPSB recoveries from staff Performance bond (to vendors due in <12 months) Other

NON-CURRENT LIABILITIES

Transfers payable	Payable (to implementing agencies and partners), long-term Payables due to funding sources, long-term
Advance receipts	Liabilities for conditional arrangements Contributions or payments received in advance Voluntary contributions Deferred revenue
Borrowings	Long term loans Finance leases (long term)
Employee benefits	Long-term (per actuarial report) e.g.: ASHI Repatriation benefits Annual leave
Provisions	Litigation and claims (e.g. legal claims) Restructuring Restoration Other

Other non-current liabilities	Other

NET ASSETS

Accumulated surpluses/(deficits) – unrestricted	Net surplus/deficit for the year
	Accumulated unrestricted surpluses/ deficits of prior years
	Accumulated position on ASHI, Repatriation, unused annual leave and other post- employment employee benefits. Accumulated position on. Initial recognition of Assets and Liabilities - Opening balance (PP&E, provisions …etc)
Accumulated surplus – restricted	Net surplus/deficit for the year for earmarked funds Accumulated surpluses/ deficits of prior years for earmarked funds Surplus to be transferred for earmarked funds Opening balance adjustments
Reserves	Working Capital reserve, authorised retained reserve, fund principal from contributions or reserves, which the United Nations prefers to track separately

The United Nations – Volume II Statement of Financial Performance (Thousands of United States dollars) For the Year ended 30 June 20X1			
	Notes	30-Jun 20X1	30-Jun 20X0
REVENUE			
Assessed contributions			
Member States voluntary contributions			
Other voluntary contributions			
Other transfers and allocations			
Investment revenue			
Other/miscellaneous revenue			
TOTAL REVENUE			
EXPENSES			
Employee salaries, allowances and benefits			
Contingent contracted services			
Non-employee compensation and allowances			
Grants and other transfers			
Supplies and consumables used			

The United Nations – Volume II Statement of Financial Performance (Thousands of United States dollars) For the Year ended 30 June 20X1			
Depreciation and amortization			
Impairment of assets			
Other operating expenses			
Other expenses			
TOTAL EXPENSES			
SURPLUS/DEFICIT FOR THE PERIOD			

REVENUE

FS Grouping	Contents
Assessed contributions	Member States assessed contributions
Member States voluntary contributions	Member states voluntary contributions , in cash and goods in-kind (non-heritage assets)
Other voluntary contributions	Contributions from non-member states Other voluntary contributions, in cash and goods in-kind
Other transfers and allocations	Allocations from other funds
Investment revenue	Coupons and gains
	Bank balances interest
	Realized market gain (loss)
	Unrealized market gain (loss)
	Net of Investment expenses
Other/miscellaneous revenue	Net Foreign exchange gains
	Other miscellaneous income
	Gain on sale of PP&E
	Internal transfers of PP&E
	Tax equalization– staff assessment income

EXPENSES

FS Grouping	Sub Group	Contents
Employee salaries, allowances and benefits	Salary	Basic
		Post adjustment
		Overtime
		Staff assessments
	Allowances/benefits	Mission subsistence allowance
		Expenses for post-employment employee benefit liabilities, net actuarial gains / losses

FS Grouping	Sub Group	Contents
		Actuarial pension contribution corrections (e.g. due erroneous non-payment of pension)
		Assignment/repatriation allowance
		Travel on appointment
		Hardship allowance
		Hazard allowances
		Dependency allowance
		Rental subsidy
		Education grant
		Medical insurance
		ASHI
		Pension costs
		Family visit travel
		Education grant travel
		Residential security
		Peacekeeping Reserve for Compensation Payments
		Termination indemnities
		Living allowance - UNVs
		Assignment/repatriation allowances - UNVs
Contingent contracted services		Troop cost Contingent self-sustainment Contingent COE Letter of Assists Death and Disability Recreational Leave allowance Daily allowance
Non-employee compensation and allowances (military, police and non-military)	Allowances	Mission subsistence allowance
		Clothing allowance
		Death and disability
		Residential security
		Welfare
Supplies and consumables used		Facilities and infrastructure - spare parts
		CITS equipment - spare parts
		Vehicles - spare parts
		Surface vehicle - POL
		Facilities and infrastructure - POL
		Air assets - POL
		Medical supplies
		Other supplies
		Rations
		Uniforms and badges
		Safety and Security equipment
Depreciation and		Depreciation and amortization expenses for the

FS Grouping	Sub Group	Contents
amortization		period
Impairment of property, plant and equipment, intangible assets		Impairment of PP&E and intangible expenses for the period
Other operating expenses	Maintenance	Technical support services
		Cleaning services
		Repairs services
	Consultancy	Fees (audit, legal)
	Security	Security services
	Rental	Rental - office and premises
		Rental-air services
		Rental - others (equipment, vehicles)
	Public information	Services and programmes
	Insurance	Shipping insurance - freight and shipping
		Liability insurance - vehicles and others
	De-mining	Detection/Clearing Services
	Communication services	Service billing
	Medical services	Medical services
		Aircraft landing fees
		Air crew subsistence allowance
	Travel and travel on transfer	Transport
		Allowances
		Deployment/emplacement/rotation (Military observers, the UN Police, Staff Officers)
	Training	Travel expenses
		Professional fees
	Bad debts	Bad debt expense A/R Direct write off
	Shared services	Pro-rated services
		Administrative fee
		Program support costs
		Depreciation and amortization
		Loss on sale of PP&E
		Recruitment expenses
		Bank Charges
		Finance lease related expenses
		Net Foreign exchange losses
		Shipping /Freight services
		Stationery and office supplies
		Subscription and publications
		Utilities
Other expenses	Others	Ex gratia

FS Grouping	Sub Group	Contents
		Hospitality and official functions
		Claims - staff and third parties
		Transfers of PP&E and intangible assets
		Donation of assets
		All other unusual expenses (depending on materiality might be shown as a separate line)
Grants and other transfers		Quick Project costs/DDR/CVR)

Statement of Changes in Net Assets

	Notes	Accumulated surpluses/ (deficits) - unrestricted	Accumulated surplus - restricted	Reserves	Total
Net Assets at the beginning of the period (1 Jul 20X0):					
Change in accounting policy					
Correction of prior period error					
Adjustment for the initial recognition of Assets and Liabilities(PP&E, intangibles, inventories, donated right to use premises, Unliquidated obligations, joint arrangements, other)					
Restated Balance at the beginning of the period:					
Credits to Member States					
Refunds to donors					
Transfers to/from other reserves					
Exchange differences on certain foreign currency translations					
Total of items recognised directly in Net Assets					
Surplus/(deficit) for the period					
Total recognised revenue and expense for the period					
NET ASSETS AT THE END OF THE PERIOD (30 Jun 20X1)					

The United Nations Volume II - Statement of Cash Flows For Year ended 30 June 20X1 (Thousands of United States dollars)			
(Indirect Method)			
	Notes	**30-Jun 20X1**	**30-Jun 20X0**
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus (deficit) - for the period			
Non-cash movements			
Depreciation and amortization			
Impairment of PP&E			
(Increase) decrease in assessed contributions receivable			
(Increase) decrease in voluntary contributions receivable			
(Increase) decrease in other receivables			
(Increase) decrease in inventories			
(Increase) decrease in advance transfers to partners			
(Increase) decrease in other current assets			
(Increase) decrease in other non-current assets			
Increase (decrease) in accounts payable - Member States			
Increase (decrease) in accounts payable - Other			
Increase (decrease) in Transfers payable			
Increase (decrease) in advance receipts			
Increase (decrease) in employee benefits			
Increase (decrease) in other current liabilities			
Increase (decrease) in other non-current liabilities			

(Gains) losses on sale of property, plant and equipment, intangibles			
(Gains) losses on sale of investments			
NET CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Pro-rata share of purchases of investments in the cash pool(s)			
Pro-rata share of sales of investments in the cash pool(s)			
Purchases of property, plant and equipment (PP&E)			
Purchases of intangible assets			
Issuance of loans receivable – current and non-current			
Proceeds from sale of PP&E, intangibles			
Proceeds from repayment of loans receivable – current and non-current			
NET CASH FLOWS FROM INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - current and non-current			
Repayment of borrowings - current and non-current			
NET CASH FLOWS FROM FINANCING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD			
Effect of exchange rate changes on foreign currency balances			
CASH AND CASH EQUIVALENTS, END OF PERIOD			

The United Nations Volume II - Format of STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the period from 1 July 20X0 to 30 June 20X1
(Thousands of United States dollars)

Missions	**Notes**	**Budget Amounts**			**Actual Amounts (on the budget basis)**	**Difference: Final Budget less Actual Amounts**
		Original Budget	Adjustments	Final (Revised) Budget		
Revenues						
UNFICYP						
UNDOF						
UNIFIL						
MINURSO						
UNOMIG						
UNMIK						
MONUC						
UNMIL						
UNOCI						
MINUSTAH						
UNMIS						
UNMIT						
MINURCAT						
UNAMID						

Support of the African Union Mission in Somalia						
Support Account for PKO						
The UN Logistics Base						
PKO Reserve Fund						
Total Revenues						
Expenses						
UNFICYP						
UNDOF						
UNIFIL						
MINURSO						
UNOMIG						
UNMIK						
MONUC						
UNMIL						
UNOCI						
MINUSTAH						
UNMIS						
UNMIT						
MINURCAT						
UNAMID						

Support of the African Union Mission in Somalia						
Support Account for PKO						
The UN Logistics Base						
PKO Reserve Fund						
Total Expenses						
Net Amounts						

The United Nations – Volume II: by PK Mission NOTE ON COMPARISON OF BUDGET AND ACTUAL AMOUNTS For the period from 1 July 20X0 to 30 June 20X1 (Thousands of United States dollars)						
Budget Categories	Notes	Budget Amounts			Actual Amounts (on the budget basis)	Difference: Final Budget less Actual amounts
		Original Budget	Adjustments	Final (Revised) Budget		
Revenue from Assessed Contributions						
Voluntary contributions in-kind (budgeted)						
Revenue from Staff assessment						
Revenues – Other Sources						
TOTAL REVENUE						
Military and Police Personnel						
Civilian Personnel						
Operational requirements						
Share of Common Costs						
Other budgeted expenses						
TOTAL EXPENSES						
Net Revenues/Expenses						

The United Nations – Volume II RECONCILIATION BETWEEN THE ACTUAL AMOUNTS ON A COMPARABLE BASIS IN THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AND THE ACTUAL AMOUNTS IN THE STATEMENT OF CASH FLOWS					
	Notes	**20X1**			
		Operating	**Investing**	**Financing**	**Total**
Actual Amount on Comparable Basis					
Basis Differences					
Timing Differences					
Entity Differences					
Actual Amount in the Statement of Cash Flows					

GLOSSARY

GLOSSARY

The following are some of the terms used in this policy framework and/or used in the relevant IPSAS:

Accounting Basis

Accounting basis is the accrual, modified accrual, modified cash or cash basis of accounting; the choice of accounting basis impacts the timing of recognition of assets, liabilities, revenue and expenses.

Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accrual Basis

Accrual basis is the accounting basis under which transactions and other events are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, transactions and events are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.

Accounts Payable

Amounts owed by an enterprise on account of goods purchased or services received or in respect of contractual obligations.

Accounts Receivable

Amounts due to be received for goods sold or services rendered or in respect of contractual obligations.

Active Market

Active market is a market in which: (a) the items traded are homogeneous; (b) willing buyers and sellers can normally be found at any time; and (c) prices are available to the public.

Actual Amounts

Actual amounts (for budgetary purposes) are presented as part of the comparison schedule as well as a basis of a reconciliation schedule resulting from the execution of the budget. For purposes of IPSAS 24, they include actual expenses and obligations that are comparable to the final budget presented.

Actuarial Gains and Losses

Actuarial gains and losses comprise: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

Amortization

Amortization is the systematic allocation of the amortizable amount of an intangible asset over its estimated useful life.

Appropriation

Appropriation is an authorization granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority. For the UN, appropriations are voted by the General Assembly.

Approved Budget

Approved Budget is the expense authority related to the anticipated revenue or receipts for the budgetary period. The General Assembly of the UN approves the General Fund budget of Volume I prior to the start of each biennium.

Assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Assets used to deliver goods and services in accordance with an entity's objectives, but which do not directly generate net cash inflows, are often described as having a service potential.

Associate

Associate is an entity in which an investor has significant influence and that is neither a controlled entity nor a joint venture of the investor.

Balance Sheet

A statement of financial position of the entity as at a given date, which exhibits its assets, liabilities, capital, reserve and other account balances at their respective book values.

Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Budgetary Basis

Budgetary basis is the accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.

Carrying Amount of a Liability

Carrying amount of a liability is the amount at which a liability is recognised in the statement of financial position.

Carrying Amount of an Asset

Carrying amount of an asset is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation or amortization and accumulated impairment losses thereon.

Cash

Cash consists of cash on hand and demand deposits.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Cash-generating Assets

Cash-generating assets are assets held to generate a commercial return.

Capital Work in Progress

Any expenditure intended to benefit the future period in contrast to revenue or expenditure, which benefit the current period. The term is generally restricted to expenditure that adds fixed asset units or that has the effect of improving the capacity, efficiency, life span or the economy of operations of existing asset.

Change in Accounting Estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not a correction of errors.

Change in Accounting Policy

Change in accounting policy is a change from one basis of accounting to another basis of accounting. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is also regarded as a change in accounting policy.

Class of Property, Plant and Equipment (PP&E)

Class of property, plant and equipment is a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Closing Rate

Closing rate is the spot exchange rate at the reporting date – i.e. the exchange rate used to translate foreign currency monetary balances at the end of a reporting period. For the UN, a series of rates are published for the year-end which are based on and closely approximate the prevailing market rate at that date and are used as the closing rate.

Commencement of the Lease Term

Commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, revenue, or expenses resulting from the lease, as appropriate).

Comparable Basis

Comparable basis is the actual amounts presented on the same accounting basis, the same classification basis, for the same entities and for the same period as the approved budget.

Conditions on Transferred Assets

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Consolidated Financial Statements

Consolidated financial statements are the financial statements of an economic entity (controlling entity plus all entities controlled) presented as those of a single entity.

Construction Contract

Construction contract is a contract or a similar binding arrangement specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function, or their ultimate purpose or use.

Constructive Obligation

Constructive obligation is an obligation that derives from an entity's actions where: (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent Liability

Contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but which is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Control

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

Controlled Entity

Controlled entity is an entity under the control of another entity (known as the controlling entity).

Controlling Entity

Controlling entity is an entity that has one or more controlled entities.

Cost

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Cost Method

Cost method is a method of accounting for an investment whereby it is recognised at cost. Revenue from the investment is recognised only to the extent that the investor is entitled to receive distributions from accumulated surpluses arising after the date of acquisition.

Current Replacement Cost

Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial periods.

Depreciable Amount

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of a tangible asset over its estimated useful life.

Economic Entity

Economic entity is a group of entities comprising a controlling entity and one or more controlled entities.

Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits mean all entitlements, salaries, allowances, benefits and incentives.

Equity Instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified - adjusting and non-adjusting events.

Exchange Difference

Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the presentation currency at different exchange rates.

Exchange Rate

Exchange rate is the ratio for exchange of two currencies.

Exchange Transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction; the most recent acquisition prices of similar assets from third parties (i.e. vendors) or, in the absence of the most recent purchase values, a value quoted or referenced from a market source can serve as a proxy for Fair Value.

Final Budget

Final budget is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative, or similar authority, changes applicable to the budget period.

Finance Lease

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Financial Asset

Financial asset is any asset that is: (a) cash; (b) a contractual right to receive cash or another equivalent asset from another entity; (c) a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable; or (d) an equity instrument of another entity.

Financial Instrument

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are either financial assets or financial liabilities but not all financial assets are financial instruments.

Financial Liability

Financial liability is any liability that is a contractual obligation: (a) to deliver cash or another financial asset to another entity; or (b) to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Financial risk

Financial risk includes the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, currency exchange rate or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Financing Activities

Financing activities are activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.

Foreign Currency

Foreign currency is a currency other than the functional currency of the entity.

Foreign Operation

Foreign operation is an entity that is a controlled entity, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional Currency

Functional currency is the currency of the primary economic environment in which the entity operates. For the UN this is considered to be the US Dollar.

Impairment

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortization.

Impracticable Requirement

Impracticable requirement is a requirement which the entity cannot apply after making every reasonable effort to do so.

Inception of the Lease

Inception of the lease is the earlier of the date on which a lessor and lessee enter into a lease agreement and the date on which the parties commit to the principal provisions of the lease. As at this date (a) a lease is classified as either an operating or a finance lease; and (b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance.

Interest Cost

Interest cost is the increase during a financial period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Inventories

Inventories are assets: (a) in the form of materials or supplies to be consumed in the production process; (b) in the form of materials or supplies to be consumed or distributed in the rendering of services; (c) held for sale or distribution in the ordinary course of operations; or (d) in the process of production for sale or distribution. Care should be taken to avoid confusion when using the word “inventory”. PP&E are not inventory as defined above, although they may be inventoried by being counted and physically verified.

Investing Activities

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment Property

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of operations.

Joint Control

Joint control is the agreed sharing of control over an activity by a binding arrangement.

Joint Venture

Joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Key Management Personnel

Key management personnel are defined under IPSAS as those officials who are responsible for the planning, directing and controlling activities of the reporting entity.

Lease

Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Lease Term

Lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Legal Obligation

Legal obligation is an obligation that derives from: (a) a contract (through its explicit or implicit terms); or (b) legislation; or (c) other operation of law.

Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Market Value

Market value is the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market.

Material Omissions or Misstatements

Material omissions or misstatements are omissions or misstatements of items which could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Minority Interest

Minority interest is that portion of the surplus or deficit and net assets of a controlled entity attributable to net assets interests that are not owned, directly or indirectly through controlled entities, by the controlling entity.

Modified Cash Basis

Modified cash basis is the accounting basis under which revenue and expenses are usually reported when cash is received or a payment is made, but with some exceptions. Notably, expenditures can be reported prior to the payment of cash on the basis that the cash will need to be paid out soon after the end of the financial year. Under this basis, investments in physical assets and intangibles are expensed immediately, and employee benefit liabilities are not required to be reported in the financial statements.

Monetary Items

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Multi-employer Plans

Multi-employer plans are defined contribution plans (other than state plans and composite social security programs) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-year Budget

Multi-year budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.

Net Assets

Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This is the residual measure in the statement of financial position.

Net Realizable Value

Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Non-cash Generating Assets

Non-cash generating assets are assets other than cash-generating assets.

Non-exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-monetary Items

Non-monetary items are items that are not monetary items.

Notes

Notes are disclosures which contain information in addition to that presented in the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flows. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

Obligating event

Obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

Onerous Contract

Onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

Operating Activities

Operating activities are the activities of the entity that are not investing or financing activities.

Operating Lease

Operating lease is a lease other than a finance lease, with risk of ownership substantially remaining with lessor.

Original Budget

Original budget is the initial approved budget for the budget period.

Other Long-term Employee Benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that do not fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

Oversight

The supervision of the activities of an entity, with the authority and responsibility of control, or exercise of significant influence over the financial and operating decisions of the entity.

Owner-occupied Property

Property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Past Service Cost

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior financial periods, resulting in the current financial period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where benefits are reduced).

Period End

The last day of any accounting period, e.g. month, quarter, half year, year end.

Plan Assets

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies that are set aside for the payment of employee benefit liabilities.

Post-employment Benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment Benefit Plans

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Prepaid Expense

Payment for expense in an accounting period, the benefit for which will accrue in the subsequent period(s).

Present Value of a Defined Benefit Obligation

Present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior financial periods.

Presentation Currency

Presentation currency is the currency in which the financial statements are presented. For the UN this is the United States Dollar. It is the same as the reporting currency.

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior financial periods, arising from a failure to use or a misuse of reliable information that (a) was available when financial statements for those financial periods were authorized for issue; and (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Property, Plant and Equipment (PP&E)

Property, plant and equipment, or PP&E, are tangible items that are (a) held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and (b) expected to be used during more than one reporting period. Property, plant and equipment should not be confused with inventories as defined above, although they may be counted and physically verified.

Prospective application of a change in accounting policy and of recognizing the effect of a change in an accounting estimate

Prospective application of a change in accounting policy and of recognizing the effect of a change in an accounting estimate, respectively, means: (a) applying a new accounting policy to transactions occurring in the financial period when the policy is changed; and (b) recognizing the effect of the change in the accounting estimate in the current, and where applicable, future financial periods affected by the change.

Provision

Provision is a liability of uncertain timing or amount.

Provision for Expense

An amount written off or retained by way of providing for depreciation or diminution in value of assets or retained by way of providing for any known liability, the amount which cannot be determined with substantial accuracy.

Provision for Unrealized Revenue

A provision made for revenue considered doubtful of recovery.

Qualifying Asset

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Recoverable Service Amount

The higher of a non-cash generating asset's fair value less cost to sell and its value in use.

Related Parties

Related parties are parties considered to be related if one party has the ability to control, or exercise significant influence over, the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related Party Transaction

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

Remuneration of Key Management Personnel

Remuneration of key management personnel is any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.

Reporting Currency

The currency used in presenting the financial statements. For the UN Secretariat reporting entities, the reporting currency will be United States dollars (USD) as per the FRR. It is the same as the presentation currency.

Reporting Date

Reporting date is the date of the last day of the reporting period to which the financial statements relate. In the case of the UN, it is 31st December of each year for all Volumes except Volume II that has 30th June as the last day of the reporting period.

Reporting Period

Reporting period is the basic accounting period that applies to all financial recording and reporting at the UN. The financial period begins 1st January, lasts for 12 months and ends on 31st December for all Volumes except Peacekeeping Volume II that has a reporting cycle starting from 1st July and ending on 30 June.

Residual Value

Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Retrospective Application

Retrospective application is the application of a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective Restatement

Retrospective restatement is a revision, correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Restructuring

A program that is planned and controlled by management, and materially changes either:

a) the scope of an entity's activities ; or

b) the manner in which those activities are carried out.

Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Segment

Segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions on the future allocation of resources.

Segment Accounting Policies

Accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity as well as those accounting policies that relate specifically to segment reporting.

Segment Assets

Segment assets are those operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment Expense

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment. These include expenses relating to the provision of goods and services to external parties, and expenses relating to transactions with other segments of the same entity.

Segment Liabilities

Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment Revenue

Segment revenue is revenue reported in the entity's statement of financial performance that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity.

Separate Financial Statements

Separate financial statements are those presented by a controlling entity, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct net assets interest rather than on the basis of the reported results and net assets of the investees.

Service Potential

Service potential is the anticipated future benefits to be obtained from an asset. Assets that are used to deliver goods and services in accordance with an entity's objectives but which do not directly generate net cash inflows are often described as embodying service potential.

Short-term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the financial period in which the employees render the related service.

Short-term Investments

Those investments which are readily realizable, and are intended to be held for not more than twelve months from the date of investment.

Significant Influence

Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies. Significant influence may be exercised in several ways, usually by representation on the board of directors or equivalent governing body, but also by, for example, participation in policy making process, material transactions between the entities within an economic entity, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by an ownership interest, statue or agreement.

Spot Exchange Rate

Spot exchange rate is the exchange rate for immediate delivery.

Standard Costs

Standard cost is a proxy for actual cost that facilitates the accurate recording of transactions where actual costs are difficult to determine at the individual transaction level.

Straight Line Method

The method under which the periodic charge for depreciation is computed by dividing the depreciable amount of a depreciable asset by the estimated number of years of its useful life.

Sinking Fund

A fund created for the repayment of a liability or for the replacement of an asset.

Scientific and Technical Advisory Panel (STAP)

“STAP Budget” means a portion of the GEF’s administrative budget, which is allocated to STAP in accordance with the applicable policies and procedures of the GEF

Surplus

The excess of revenue over expenses of the entity for an accounting period under consideration.

Technical Cooperation Fund (TCF)

Technical cooperation funds refer to those trust funds which provide economic and social development assistance to developing countries.

Termination Benefits

Termination benefits are employee benefits payable as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept voluntary redundancy in exchange for these benefits.

Transfers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Umoja

The integrated Enterprise Resource Planning system that is being deployed to support the full range of UN management administrative functions, including the preparation of financial statements based on the requirements of IPSAS.

Useful life (of lease)

The estimated remaining period, from the beginning of lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.

Useful life (of property plant and equipment)

Useful life is either: (a) the period over which an asset is expected to be available for use by an entity; or (b) the number of production or similar units expected to be obtained from the asset by an entity.

Unguaranteed Residual Value

That portion of the residual value of leased asset, the realization of which by the lessor is not assured or guaranteed solely by a party related to the lessor.

Unearned Finance Revenue

The difference between:

a) The aggregate of the minimum lease payments under finance lease from stand point of lessor and any un-guaranteed residual value accruing to lessor; and

b) The present value of (a) above, at the rate implicit in lease.

Value in use of an asset

The present value of an asset's remaining service potential.

Venturer

Venturer is a party to a joint venture and has joint control over that joint venture.

Voucher

A document which serves as an authorization for any financial transaction and forms the basis for recording the accounting entry for transaction in the books of original entry e.g. cash receipt voucher, bank receipt voucher, journal voucher.

Weighted Average Cost

Inventory valuation method used where different quantities of goods are purchased at different unit costs. Under this method, weights are assigned to the cost price on the basis of the quantity of each item at each price.

Written Down Value (WDV)

In respect of a fixed asset means its cost of acquisition or substituted value less accumulated depreciation.

Work in Progress

Goods in the process of production for their sale or usage.