




DRAFT SIGNIFICANT ACCOUNTING POLICIES FOR PUBLIC SECTOR CONSOLIDATION



TREASURY
THE REPUBLIC OF MAURITIUS
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International Public Sector Accounting Standards

International Public Sector Accounting Standards		Included
IPSAS 1	<i>Presentation of Financial Statements</i>	√
IPSAS 2	<i>Cash Flow Statements</i>	√
IPSAS 3	<i>Accounting Policies, Changes in Accounting Estimates</i>	√
IPSAS 4	<i>The Effects of Changes in Foreign Exchange Rates</i>	√
IPSAS 5	<i>Borrowing Costs</i>	√
IPSAS 9	<i>Revenue from Exchange Transactions</i>	√
IPSAS 10	<i>Financial Reporting in Hyperinflationary Economies</i>	1
IPSAS 11	<i>Construction Contracts</i>	√
IPSAS 12	<i>Inventories</i>	√
IPSAS 13	<i>Leases</i>	√
IPSAS 14	<i>Events After the Reporting Date</i>	√
IPSAS 16	<i>Investment Property</i>	√
IPSAS 17	<i>Property, Plant and Equipment</i>	√
IPSAS 18	<i>Segment Reporting</i>	√
IPSAS 19	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	√
IPSAS 20	<i>Related Party Disclosures</i>	√
IPSAS 21	<i>Impairment of Non-Cash-Generating Assets</i>	√
IPSAS 22	<i>Disclosure of Financial Information about the General Government Sector</i>	√
IPSAS 23	<i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>	√
IPSAS 24	<i>Presentation of Budget Information in Financial Statements</i>	√
IPSAS 26	<i>Impairment of Cash-Generating Assets</i>	√
IPSAS 27	<i>Agriculture</i>	√
IPSAS 28	<i>Financial Instruments: Presentation</i>	√
IPSAS 29	<i>Financial Instruments: Recognition and Measurement</i>	√
IPSAS 30	<i>Financial Instruments: Disclosures</i>	√
IPSAS 31	<i>Intangible Assets</i>	√
IPSAS 32	<i>Service Concession Arrangements: Grantor</i>	√
IPSAS 34	<i>Separate Financial Statements</i>	√

International Public Sector Accounting Standards		Included
IPSAS 35	<i>Consolidated Financial Statements</i>	√
IPSAS 36	<i>Investments in Associates and Joint Ventures</i>	√
IPSAS 37	<i>Joint Arrangements</i>	√
IPSAS 38	<i>Disclosures of Interests in Other Entities</i>	√
IPSAS 39	<i>Employee Benefits</i>	√
IPSAS 40	<i>Public Sector Combinations</i>	√
IPSAS 41	<i>Financial Instruments</i>	2
IPSAS 42	<i>Social Benefits</i>	2

- √ This standard is incorporated into accounting policies.
- 1 The Government does not operate in a hyperinflationary economy.
 - 2 This is a new standard which is effective as from January 1, 2022 (earlier application is encouraged) and is not included in accounting policies.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of Reporting

(i) Reporting Entity

IPSAS 1.63b

The consolidated financial statements of the Public Sector of the Republic of Mauritius comprise of the Government (Government Departments as listed in the schedule to the Appropriation (20X0 -20X1) Act of 20X0 and Ministries), Local Government, Regional Government and Public Sector Controlled Entities.

(ii) Reporting Period

IPSAS 1.63c

The reporting period for these consolidated financial statements is the year ended 30 June 20X1.

(iii) Authorization Date

IPSAS 14.26

These consolidated financial statements were authorized for issue on (date) by the Accountant-General.

(iv) Basis of Preparation

IPSAS 1.127a

These consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities which have been revalued as set out in these accounting policies.

IPSAS 1.132a

Where necessary, comparative figures have been amended to conform to changes in presentation, or in accounting policies in the current year.

These consolidated financial statements are presented in Mauritian Rupees (Rs), which is the functional currency of the Public Sector. All amounts have been rounded to the nearest million rupees.

The accounting policies have been applied consistently throughout the period.

The cash flow statement has been prepared using the direct method.

(v) Statement of Compliance

IPSAS 1.28

These consolidated financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSAS) and in compliance with the Finance & Audit Act 1973.

(vi) Basis of Budget Preparation

The annual budget figures included in these consolidated financial statements are for the Budgetary Central Government. The budget for Local Government, Regional Government and Public Sector Controlled Entities (where applicable) have been excluded as these are not made publicly available.

IPSAS 24.45

The budget and the accounting bases differ. The budget of the Government is appropriated by votes of expenditure on a cash basis except for cost of borrowings and carry-over of capital expenditure which are appropriated on an accrual basis.

IPSAS 24.39

The statement of financial position and statement of financial performance are prepared on an accrual basis.

The statement of comparison of budget and actual amounts are prepared on the same basis as the budget.

The approved budget covers the financial period from 1 July 20X0 to 30 June 20X1.

IPSAS 24.43

The original budget was approved by the National Assembly on (date), [and a supplementary appropriation for (amount) was approved on (date)].

1.2. Basis of Consolidation

The list of entities consolidated is detailed in note ___ of these consolidated financial statements.

(i) Controlled Entities

These are entities over which the Public Sector has control. The Public Sector controls an entity, if and only if, it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

IPSAS 35.18-20

The Public Sector reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

IPSAS 35.21

The Public Sector's right to direct the financial and operating policies of another entity is often used as an indication to assess power. The Public Sector considers only substantive rights in assessing power.

IPSAS 35.23

Controlling entities are consolidated from the date the Public Sector obtains control of entity and ceases when the Public Sector loses control. Like items of assets, liabilities, net assets/equity, revenue, expenses and cash flows of the Public Sector is consolidated, intra-economic entity transactions and balances are eliminated in full and carrying amount of the Public Sector's investment in each controlled entity and the Public Sector's portion of net assets/equity of each controlled entity is eliminated. When necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies in line with the accounting policies of the Public Sector.

IPSAS 35.39

IPSAS 35.40

IPSAS 35.41

The Public Sector attributes the surplus or deficit and each gain or loss recognized directly in net assets/equity to the non-controlling interests and to the owners of the controlling entity.

IPSAS 35.49

(ii) Associates

Where the Public Sector has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate.

IPSAS 36.8

Associates are initially recognized in the consolidated statement of financial position at cost.

IPSAS 36.16

Subsequently, associates are accounted for using the equity method, where the Public Sector's share of surplus or deficit of the investee after the date of acquisition is recognized in the consolidated statement of financial performance. The Public Sector also recognizes in its net assets/equity, the share of changes in the investee's equity that have not been recognized in the investee's surplus or deficit.

IPSAS 36.16

Gains and losses arising on transactions between the Public Sector and its associates are recognized only to the extent of unrelated investors' interests in the associate. The Public Sector's share in the associate's gains and losses resulting from these transactions is eliminated against the carrying value of the associate.

IPSAS 36.31

Any premium paid for an associate above the fair value of the Public Sector's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

IPSAS 36.35(a)

IPSAS 36.43

Any excess of the share of the Public Sector of the net fair value of the investee's identifiable assets over the cost of the investment is included as revenue in the determination of the Public Sector's share of the associate's surplus or deficit in the period in which the investment is acquired.

IPSAS 36.35(b)

Judgement

Where the Public Sector holds less than 20% of voting rights in an investment but the Public Sector has the power to exercise significant influence, such an investment is treated as an associate.

IPSAS 36.11

More information is disclosed in note ____ of these consolidated financial statements. In the opposite situation, where the Public Sector holds over 20% of voting rights (but not over 50%) and the Public Sector does not exercise significant influence, the investment is treated as an available-for-sale investment. Details are given in note _____ of these consolidated financial statements.

(iii) Joint Arrangements

The Public Sector is party to a joint arrangement when there is a binding arrangement that confers joint control over the relevant activities of the arrangement to the Public Sector. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

*IPSAS 37.9, 37.10**IPSAS 37.12*

The Public Sector classifies its interests in joint arrangements as either:

IPSAS 37.19

- Joint operations: where the Public Sector has both the rights to assets and obligations for the liabilities of the joint arrangement; or

IPSAS 37.7

- Joint ventures: where the Public Sector has rights to only the net assets of the joint arrangement.

IPSAS 37.7

In assessing the classification of interests in joint arrangements, the Public Sector considers:

IPSAS 37.20

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The terms of the binding arrangement; and

- Any other facts and circumstances.

The Public Sector accounts for its interests in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its conferred enforceable rights and obligations. In compliance with IPSAS 37 Joint Arrangements, the Public Sector applies all the principles on acquisition accounting of IPSAS 40 Public Sector Combinations when it acquires an interest in a joint operation that constitutes an operation.

*IPSAS 37.23**IPSAS 37.24A*

The Public Sector accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – refer to Associates).

IPSAS 37.27

Any premium paid for an investment in a joint venture above the fair value of the Public Sector's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Judgement

For all joint arrangements structured in separate vehicles, the Public Sector must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Public Sector to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture) or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the Public Sector must consider include:

IPSAS 37.20

- Legal form
- Binding arrangement
- Other facts and circumstances.

Upon consideration of these factors, the Public Sector has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

(iv) Changes in Ownership Interests

The Public Sector treats transactions with non-controlling interests that do not result in a loss of control as transactions with owners in their capacity as owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the controlled entity. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in net assets/equity attributable to owners of the controlling entity.

IPSAS 35.51

When the Public Sector ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in the surplus or deficit. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in net assets/equity in respect of that entity are accounted for as if the Public Sector had directly disposed of the related assets or liabilities.

IPSAS 35.54(b)(iii)

IPSAS 35.52(b)

IPSAS 35.55

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, the proportionate share of the amounts previously recognized in net assets/equity are transferred directly to accumulated surpluses or deficits.

IPSAS 36.28

1.3. Public Sector Combination

Public sector combination can either be an amalgamation or an acquisition.

(i) Amalgamation

The Public Sector accounts for public sector combinations using the modified pooling of interest method of accounting if the public sector combination gives rise to a resulting entity and is either:

IPSAS 40.15, 40.17

(a) a public sector combination in which no party to the combination gains control of one or more operations; or

IPSAS 40.7

(b) a public sector combination in which one party to the combination gains control of one or more operations, and there is evidence that the combination has the economic substance of an amalgamation.

IPSAS 40.8

The resulting entity recognizes the assets, liabilities and any non-controlling interest that are recognized in the financial statements of the combining operations as at the amalgamation date and measures them at their carrying amounts in the financial statements of the combining operations. The resulting entity recognizes the difference between the assets and liabilities assumed in an amalgamation as one or more components of net assets/equity.

IPSAS 40.21, 40.26

IPSAS 40.37, 40.38

(ii) Acquisition

The Public Sector accounts for public sector combinations using the acquisition method when control is transferred to the Public Sector and the economic substance of the public sector combination is not that of an amalgamation.

IPSAS 40.8

The consideration transferred in the acquisition is measured at fair value and comprises only of consideration transferred for the acquired operation and the assets acquired and liabilities assumed in the exchange for the acquired operation.

IPSAS 40.95

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a component of net assets/equity, then it is not remeasured and settlement is accounted for within net assets/equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in surplus or deficit.

IPSAS 40.97, 40.117 (a)

IPSAS 40.117(b)

The Public Sector also measures the identifiable net assets acquired.

IPSAS 40.72

Acquisition related costs are expensed as incurred and services received, except if related to the issue of debt or securities.

IPSAS 40.111

Goodwill

Goodwill arising from acquisition is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquired operation and the fair value of the Public Sector's previously held equity interest over the net of the amounts of the identifiable assets acquired and liabilities assumed).

IPSAS 40.85(a)

The Public Sector recognizes goodwill to the extent that an acquisition will result in the generation of cash flows or a reduction in the net cash outflows of the Public Sector. Any additional excess is recognized as loss in the statement of financial performance.

IPSAS 40.86

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

IPSAS 40.AG107

Impairment of Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Public Sector's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill is acquired in an acquisition of a non-cash generating operation that results in a reduction in the net cash outflows of the Public Sector, the Public Sector is considered as a cash-generating unit.

IPSAS 26.90A

A cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Public Sector recognizes an impairment loss.

IPSAS 26.90K

Goodwill is not amortized.

Bargain Purchase

The Public Sector recognizes a gain in the statement of financial performance if the net of the amounts of the identifiable assets acquired and the liabilities assumed exceed the aggregate of any consideration transferred, the amount of any non-controlling interest in the acquired operation and the fair value of the acquirer's previously held equity interest.

IPSAS 40.88

Non-Controlling Interest

The Public Sector recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

IPSAS 40.73

1.4. Foreign Currencies

IPSAS 4.24, 4.27

Transactions in foreign currencies are initially translated at the foreign exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.5. Cash and Cash Equivalents

IPSAS 2.8, 2.9, 2.56

Cash and cash equivalents comprise of cash in hand, cash remitted to Ministries/Departments, cash balances with banks, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

1.6. Financial Assets

(i) Initial Recognition and Measurement

IPSAS 29.45

On initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets are classified into the following specified categories:

IPSAS 29.47

(a) Financial assets at fair value through surplus or deficit (FVTSD)

- Investment in quoted and unquoted shares
- IMF –SDR Deposit
- IMF-Reserve Tranche (quota subscription)

Commentary

The Government has designated the above financial assets at FVTSD as this would result in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases (IPSAS 29.10 b(i))

(b) Held-to-maturity investments

- Fixed Deposits
- Treasury Bills

(c) Loan and receivables

- Receivables from exchange transactions
- Receivables from non-exchange transactions
- Loan to Statutory bodies and other bodies
- Advances (including Motor Vehicle Loans)

(d) Available-for-sale financial assets

- None

(ii) Subsequent Measurement

Financial Assets at Fair Value through Surplus or Deficit

IPSAS 29.10

Financial assets are classified as at FVTSD where the financial assets are either held for trading or are designated upon initial recognition at fair value through surplus or deficit.

A financial asset is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A financial asset other than a financial asset held for trading may be designated as at FVTSD upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an accounting mismatch) that would otherwise arise; or
- the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Public Sector is provided internally on that basis to the entity's key management personnel.

Financial assets at FVTSD are stated at fair value, with any gains/loss arising on re-measurement recognized in the statement of financial performance in the period in which they arise.

IPSAS 29.64a

Held-to-Maturity Investments

Financial assets with fixed or determinable payments and fixed maturity dates that the Public Sector has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

IPSAS 29.10

Held-to-maturity investments are carried at amortized cost using the effective interest method less any impairment.

IPSAS 29.48b

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The losses arising from impairment are recognized in surplus or deficit.

IPSAS 29.72

Available-For-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held to maturity or financial assets at fair value through surplus or deficit.

IPSAS 29.10

After initial measurement, available-for-sale financial assets are measured at fair value, with gains and losses recognized in net assets/equity, until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss reported in net assets/ equity, is included in the surplus or deficit.

IPSAS 29.48, 29.64b, 29.76

Available for sale financial assets include investments that are not accounted in accordance with IPSAS 34-Separate Financial Statements, IPSAS 35- Consolidated Financial Statements and IPSAS 36- Investments in Associates and Joint Ventures.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

IPSAS 29.10

They are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost, using the effective interest method less any impairment.

IPSAS 29.48a

Except for cases where the impact of discount is material, short term loan and receivables are initially recognized at their carrying amount as they are a reasonable approximation of fair value.

IPSAS 30.35

Gains and losses are recognized in surplus or deficit when the loans and receivables are derecognized or impaired, as well as through the amortization process.

IPSAS 29.65

(iii) Derecognition

The Public Sector derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

IPSAS 29.19, 29.22

- The rights to receive cash flows from the asset have expired or are waived
- The Public Sector has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

(a) the Public Sector has transferred substantially all the risks and rewards of the asset; or

(b) the Public Sector has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Disposal of Financial Assets

IPSAS 29.28

On disposal of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been directly recognized in net assets/equity is recognized in surplus or deficit.

(iv) Impairment of Financial Assets

At each reporting date, the Public Sector assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

IPSAS 29.67

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

IPSAS 29.68

Assets Carried at Amortized Cost (Loan and Receivables or Held to Maturity Investments)

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in surplus/deficit.

IPSAS 29.72

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is in surplus/deficit.

IPSAS 29.74

Available-for-Sale Financial Assets

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in net assets/equity – is removed from net assets/equity and recognized in surplus or deficit.

IPSAS 29.76

Impairment losses recognizes in surplus or deficit for an investment in an equity instrument classified as available for sale shall not be reversed through surplus or deficit.

IPSAS 29.78

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in surplus or deficit, the impairment loss is reversed through surplus or deficit.

IPSAS 29.79

1.7. Financial Liabilities

(i) Initial Recognition and Measurement

A financial liability is recognized when the Public Sector becomes a party to the contractual provisions of the instrument.

IPSAS 29.16

Upon initial recognition, financial liability is measured at its fair value plus the transaction costs that are directly attributable to the acquisition of the financial liability, except when financial liability is measured at its fair value through surplus or deficit.

IPSAS 29.45

(ii) Subsequent Measurement of Financial Liabilities

All financial liabilities are measured at amortized cost using cost effective interest method except for financial liabilities at fair value through surplus or deficit and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

IPSAS 29.49

The Public Sector's financial liabilities include the following:

Interest Bearing Loans and Borrowings (Public Sector Bonds, Notes and Bills)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus/deficit when the liabilities are derecognized as well as through the amortization process.

IPSAS 29.49, 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

IPSAS 29.10

Interest-bearing loans and borrowings that are expected to be settled within 12 months after the reporting are classified as current liabilities.

IPSAS 1.80

Concessionary Loans

For concessionary loans, the difference between the fair value and the loan proceeds, is accounted as revenue from non-exchange transactions. However, if a present obligation exists, a liability is recognized and as the present obligation is satisfied, the liability is reduced and an equal amount of revenue recognized.

IPSAS 23.105A, 23.105B

Commitment to Provide Loan at Below Market Interest Rate

The commitment to provide loan are recognized initially as a liability at fair value. Subsequently, unless the liability has been designated at fair value through surplus or deficit, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognized less cumulative amortization.

IPSAS 29.49d

Financial Guarantee Contracts

Financial guarantee contracts issued by the Public Sector is those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

IPSAS 29.10

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

IPSAS 29.45

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognized less cumulative amortization.

IPSAS 29.49c

Commentary

IPSAS 29.2(e) states that an entity applies IPSAS 29- Financial Instruments: Recognition and Measurement to financial guarantee contracts but it shall apply the relevant international/national accounting standing dealing with insurance contracts if the issuer elects to apply that standard in recognizing and measuring these contracts.

The Government has applied IPSAS 29 to financial guarantee contracts since applying Insurance Contracts is an election which can be made under certain circumstances such as if the issuer has previously adopted an accounting policy that treated financial guarantee contracts as insurance contracts and has used accounting applicable to insurance contracts (IPSAS 29. AG4). The Government has not previously treated financial guarantee contracts as insurance contracts.

Trade and Other Payables

Short term payables and deposits are initially recognized at their carrying amount, except in cases where the impact of discount is material, as they are a reasonable approximation of fair value.

IPSAS 30.35

Long term payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

*IPSAS 29.45,29.49**Other liability*

Other liability consists of IMF Special Drawings Rights (SDR) Allocations.

IMF SDR Allocations represents obligations which arise through the participation of the Republic of Mauritius in the SDR Department of the IMF and that are related to the allocation of SDR holdings. SDR Holdings are international reserve assets created by the IMF and allocated to members to supplement reserves.

SDR allocations received by the Public Sector is recorded as a liability in the form of SDRs (part of gross debt of the public sector) with a corresponding entry for SDR holdings as financial assets.

These SDR allocations are measured at fair value through surplus or deficit.

Commentary

The Government has designated the above financial liabilities at FVTSD as this would result in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases (IPSAS 29.10 b(i))

(iii) De-recognition of Financial Liabilities

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, the financial liability is extinguished – i.e., when the obligation specified in the contract is discharged, waived, cancelled or expires.

*IPSAS 29.41***(iv) Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

*IPSAS 28.47***1.8. Prepayments**

Prepayments are recognized as assets when payment for goods or services has been made in advance of obtaining a right to access those goods or services.

1.9. Inventories

Inventories are measured at the lower of cost and net realizable value. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories comprising agricultural produce that has been harvested from biological assets are measured on initial recognition at fair value less costs to sell at the point of harvest.

IPSAS 12.15, 12.16

IPSAS 12.29

Inventories held for distribution at no charge or for a nominal charge or consumption in the production process of goods to be distributed at no charge or for a nominal charge are however measured at the lower of cost and current replacement cost.

IPSAS 12.17

Cost includes all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Current replacement cost represents the cost the Public Sector would incur to acquire the asset on the reporting date.

IPSAS 12.18

The cost of inventories is stated using the First in First Out method.

IPSAS 12.35

When inventories are sold or consumed, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized/ the expense relates. If there is no related revenue, the expense is recognised when the goods are distributed or the related service is rendered.

IPSAS 12.44

The amount of any write-down of inventories to current replacement cost (due to obsolescence, damage, or other reasons) and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

IPSAS 12.44

Commentary

According to IPSAS 12.35, cost of inventories shall be assigned by using:

- first- in first- out or**
- weighted average cost formulas.**

The Government has opted for the First in First Out Method as it is the easiest to determine.

1.10. Investment Property

Investment properties are measured initially at cost, including transaction costs. Investment properties acquired through a non-exchange transaction is measured at fair value at date of acquisition.

IPSAS 16.26, 16.27

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

IPSAS 16.39

Fair values are determined based on an annual valuation performed by an accredited valuer applying a valuation model recommended by the International Valuation Standards Committee.

IPSAS 16.86d

Gains or losses arising from changes in the fair values of investment properties are included in surplus or deficit in the period in which they arise.

IPSAS 16.44

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

IPSAS 16.77, 16.80

Transfers are made to (or from) investment property only when there is a change in use.

IPSAS 16.66

Commentary

Under IPSAS 16.39, an entity has a policy choice for the measurement of investment property after initial recognition. An entity may choose either the cost model or the fair value model for all its investment properties.

The Government has elected to use the fair value model as even if the cost model is selected, the fair value of the investment property still needs to be disclosed unless it is unable to determine fair value reliably (IPSAS 16.90(e))

1.11. Property, Plant and Equipment**(i) Measurement on Initial Recognition**

On initial recognition, property, plant and equipment are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Public Sector recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

*IPSAS 17.23, 17.24
17.26, 17.30*

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

IPSAS 17.27

State Lands are recognized at a value estimated by the Government Valuation Department.

IPSAS 33.25, 33.64

Where the cost of the building is not readily available, the initial measurement will be at a value estimated by the Government Valuation Department.

IPSAS 33.25, 33.64

Commentary

Under IPSAS 17.42 an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment.

The Government has elected on the following:

Land- Revaluation model (for fairer presentation)

All other property, plant and equipment- cost model (easier and cheaper option)

Heritage Asset

IPSAS 17.9

The Public Sector does not recognize heritage assets.

Commentary

IPSAS 17.9 does not require an entity to recognize heritage assets that would otherwise meet the definition of and recognition of property, plant and equipment. However, an entity can choose to recognize heritage assets.

The Government has decided not to recognize the heritage assets as it is not a requirement under IPSAS 17.9.

Vested Asset

IPSAS 17.14, 17.27

The Public Sector recognizes assets vested to it through a non-exchange transaction when it gains control of the asset, it is probable that the future economic benefits or service potential associated with the asset will flow to the Public Sector and the fair value can be reliably measured. These assets are measured at their fair value at the date of acquisition.

IPSAS 17.52

Classes of Assets

Infrastructure, plant and equipment consist of the following:

- (a) Infrastructure assets comprise:
 - (i) Classified roads (including motorways), bridges and traffic centres;
 - (ii) Dams and reservoirs and
 - (iii) Stadiums, gymnasiums, swimming pools and other sports infrastructure;
- (b) Transport Equipment comprise:
 - (i) Ships/Vessels and
 - (ii) Aircrafts/Helicopters.
- (d) Medical Equipment;
- (e) Office Equipment;
- (f) Machinery;
- (g) Furniture, Fixtures and Fittings and
- (g) Bearer Plant.

Land and Buildings comprises of:

- (a) Land and
- (b) Buildings which are categorized as Dwellings and Other than Dwellings.

(ii) Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

IPSAS 5.14

Commentary

As per IPSAS 5.17 and 5.18, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset can be recognized as expense in the period in which they are incurred or capitalized as part of the cost of the asset under the allowed alternative treatment.

The government has elected to expense borrowing cost in the period they are incurred since it is the benchmark treatment.

(iii) Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method as follows:

IPSAS 17.78

	%
Infrastructure assets	2-10
Transport Equipment	4-12.5
Medical Equipment	5-25
Office Equipment	5-25
Machinery	5-25
Furniture, Fixtures and Fittings	10
Buildings	2
Bearer Plant	XX (To be determined)

Land is not depreciated.

The useful lives and residual values of all infrastructure, plant and equipment and buildings are reviewed at each financial year end.

IPSAS 17.67

Each component of an infrastructure asset with a materially different useful life from other components is accounted for as a separate asset and depreciated over its useful life.

IPSAS 17.59

(iv) Subsequent Measurement*Land*

After recognition, land is stated in the statement of financial position at its revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

IPSAS 17.44

Any revaluation increase arising on the revaluation of land is recognized directly to revaluation surplus, except to the extent that it reverses a revaluation decrease for the same class of asset previously recognized in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land is recognized in surplus or deficit to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that class of asset.

IPSAS 17.54,
17.55*All other property, plant and equipment*

After recognition, assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

IPSAS 17.43

(v) Assets under Construction

Assets in the course of construction are carried out at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalized.

Depreciation of these assets commences when the assets are ready for their intended use and is on the same basis as other property assets.

IPSAS 17.71

(vi) Impairment of Asset

When the carrying amount of an asset is greater than its estimated recoverable service amount or recoverable amount, it is written down to its recoverable service amount or recoverable amount and an impairment loss is recognized in surplus or deficit.

IPSAS 26.72 , 26.73
21.52, 21.54(vii) Derecognition

Property, plant and equipment and/or any significant part of an asset are derecognized upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

IPSAS 17.82, 17.83

1.12. Intangible Assets

Intangible assets are initially recorded at cost except for intangible assets acquired through a non-exchange transaction which are measured at the fair value at the date of acquisition.

IPSAS 31.31

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

IPSAS 31.73

Expenditure incurred on the research phase of an internally generated intangible asset is expensed when it is incurred. Intangible asset arising from the development phase of an intangible asset are capitalized if the following criteria are met: technical feasibility; ability to complete the asset; intention and ability to sell or use; ability of asset to generate probable future economic benefits or service potential, availability of resources to complete development and development expenditure can be reliably measured.

IPSAS 31.52,31.55

IPSAS 31.87

The useful life of the intangible assets is assessed as either finite or indefinite.

The intangible assets of the Public Sector comprise of licenses, computer software and IT projects acquired, developed or under development. These intangible assets have a finite useful life and are amortized using the straight-line method over their useful lives. Typically, the estimated useful life of these intangible assets is 8 years. The amortization charge for each period is recognized in surplus or deficit.

IPSAS 31.96

IPSAS 31.103

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

IPSAS 31.112

Commentary

Under IPSAS 31.71 an entity has a policy choice for the measurement of intangible asset after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of intangible assets unless there is no active market for those assets.

The Government has elected to use the cost model for all classes of intangible assets as it is the easier and cheaper option.

1.13. Biological Assets

The Government recognizes biological assets or agricultural produce when, and only when, the Government controls the assets as a result of past events, it is probable that future economic benefits associated with such assets will flow to the Government and the fair value or cost of the assets can be measured reliably.

IPSAS 27.13

Biological assets are measured at fair value less costs to sell, with any change therein recognized in surplus or deficit. Where fair value cannot be reliably determined, the asset is recorded at cost less accumulated depreciation and accumulated impairment losses.

IPSAS 27.16, 27.30, 27.34

Agricultural produce harvested from the Government's biological assets are measured at fair value less cost to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell are included in surplus or deficit.

IPSAS 27.18, 27.32

1.14. Service Concession Asset

The Public Sector as the grantor recognizes a service concession asset if:

IPSAS 32.9

- a) it controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- b) it controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

The service concession asset is initially measured at fair value unless it relates to an existing asset which the Public Sector is reclassifying as a service concession asset.

IPSAS 32.11, 32.12

After initial recognition, the service concession asset is accounted for as a separate class of assets in accordance with IPSAS 17 or IPSAS 31, as appropriate i.e. using the historical cost method or revaluation method.

IPSAS 32.13

The Public Sector also recognizes a liability as described below depending on the nature of the consideration exchanged between the Public Sector and the operator.

IPSAS 32.16

(i) Financial Liability Model

If the Public Sector has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of the service concession asset, a financial liability is recognized.

IPSAS 32.18

The Public Sector allocates payments to the operator according to their substance as a reduction in the liability, a finance charge, and charges for services provided by the operator.

IPSAS 32.21

(ii) Grant of a Right to the Operator Model

If the Public Sector compensates the operator for construction by granting the operator the right to earn revenues from third party users or access to another revenue-generating asset for the operator's use, a deferred revenue is recognized for any portion of the revenue not yet earned.

IPSAS 32.24

The revenue is recognized according to the economic substance of the service concession arrangement and the liability is reduced as revenue is recognized.

IPSAS 32.25

The liability recognized is initially measured at the same amount as the service concession asset.

IPSAS 32.15

1.15. Impairment of Non-Financial Assets(i) Impairment of Cash Generating Assets

The Public Sector assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Public Sector makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

IPSAS 26.22, 26.77, 26.78,
26.13*Value in Use*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

IPSAS 26.43, 26.68

Fair Value Less Cost to Sell

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

IPSAS 26.39

Recognizing and Measuring Impairment Loss

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

IPSAS 26.72

Impairment losses are recognized in the surplus or deficit except for impairment losses on a revalued asset which is treated as a revaluation decrease.

IPSAS 26.73

Reversal of Impairment Losses

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

IPSAS 26.99

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit except for asset carried at revalued amount.

IPSAS 26.103, 26.106,
26.108

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

IPSAS 26.109

(ii) Impairment of Non-Cash Generating Assets

The Public Sector assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, the Public Sector estimates the asset's recoverable service amount.

IPSAS 21.26

An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

IPSAS 21.14

Fair Value Less Costs to Sell

In determining fair value less costs to sell, the price of the assets in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the Public Sector determines fair value less cost to sell based on the best available information.

IPSAS 21.40, 21.41, 21.42

Value in Use

In assessing value in use, the Public Sector has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

IPSAS 21.45

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The impairment loss is recognized in surplus or deficit except for revalued asset where the impairment loss is a treated as a revaluation decrease.

IPSAS 21.52, 21.54

Reversal of Impairment

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Public Sector estimates the asset's recoverable service amount.

IPSAS 21.59

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

IPSAS 21.65, 21.68, 21.69

1.16. Provisions

Provisions are recognized when the Public Sector has a present obligation as a result of a past event and it is probable that the Public Sector will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

IPSAS 19.22

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

IPSAS 19.64

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

*IPSAS 19.69***1.17. Contingent liabilities**

The Public Sector does not recognize a contingent liability, but discloses details of any contingencies in the notes to these consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

*IPSAS 19.35, 19.36***1.18. Contingent Assets**

The Public Sector does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Public Sector in the notes to these consolidated financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements of the period in which the change occurs.

*IPSAS 19.39,19.41,19.43***1.19. Employee benefits****(i) Short Term Employee Benefits**

Short term employee benefits are benefits which are expected to be settled wholly before twelve months after the reporting period in which the employee renders the related service.

IPSAS 39.9

The short term employee benefits of the Public Sector consist of salaries, wages, salary compensation, overtime, travelling and transport, allowances, end of year bonus, social security contributions, passage benefits, and allowance in lieu of passage benefits.

Passage benefits represents the estimated liability of the Public Sector in respect of passage benefits accrued to public officers on permanent and pensionable establishment drawing a minimum monthly salary of Rs 25,525 or reckoning at least five years' service. Passage benefits are earned at the rate of 5% of the gross salaries annually.

Short term employee benefits are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.

*IPSAS 39.11***(ii) Short Term Paid leaves**

Non-accumulating paid leave (casual, portion of sick leave, maternity, and study leaves) are expensed in the period the leave is taken and are measured at the rates paid or payable.

IPSAS 39.13(b)

Accumulating paid leave (bank of sick leave and vacation leave) are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.

IPSAS 39.13(a), 39.16

(iii) Post- Employment Benefits:*Defined Contribution Plan*

Defined contribution plans are post-employment benefit plans under which the Public Sector pays fixed contributions (12% of gross emoluments) into another entity, the State Investment Company of Mauritius Limited (SICOM Ltd), for new full time employees who joined the Public Sector from 1 January 2013 onwards. The Public Sector has no further payment obligations once the contributions have been paid.

These contributions are expensed in the period the employee renders the service and a liability is recognized in respect of amount not paid at the end of the financial year.

*IPSAS 39.53**Defined Benefit Plan*

The Public Sector operates a Defined Benefit Plan for employees who joined service prior to 2013.

The Defined Benefit Plan for the Budgetary Central Government is unfunded and therefore, all social contributions received from employees of the Budgetary Central Government are recognized as revenue in the period the employee has rendered service. The Defined Benefit Plan for the Public Sector Entities and the Local Government are funded.

The cost of providing benefits are calculated by independent actuaries using the projected unit method. The benefits are then discounted in order to determine the present value of the defined benefit obligation and the current service cost. The fair value of any plan assets are deducted from the present value of the defined benefit obligation. This value is then adjusted for any effect of limiting a net defined benefit asset to the asset ceiling to obtain the net defined benefit liability (asset).

IPSAS 39.59a b

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the net assets/equity.

IPSAS 39.59d

Remeasurement recognized in net assets/ equity is not reclassified to surplus or deficit in subsequent period.

IPSAS 39.124

Current service cost, past service cost and gain or loss on settlement, net interest on the net defined benefit liability (asset) is recognized in surplus or deficit.

IPSAS 39.59c(iv) Termination Benefits

Termination benefits result from either the Public Sector's decision to terminate the employment or an employee's decision to accept an entity's offer of benefits in exchange for termination of employment.

IPSAS 39.162

The difference between the benefit provided for termination of employment at the request of the employee and a higher benefit provided at the request of the entity is a termination benefit.

IPSAS 39.163

A liability and expense in relation to termination benefits are recognized at the earlier of:

IPSAS 39.168

- When the entity can no longer withdraw the offer of those benefits and
- When the entity recognizes costs for a restructuring that is within the scope of IPSAS 19 and involves the payment of termination benefits.

Termination benefits are measured on initial recognition and subsequent changes are recognized in accordance with the nature of employee benefit, provided that in cases where the termination benefits are an enhancement to post-employee benefits, the requirements for post-employment benefits are applied.

IPSAS 39.172

Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

IPSAS 39.172

1.20. Nature and Purpose of Reserves

(i) Consolidated Fund (CF)

The Consolidated Fund (CF) is established by Section 102 of the Constitution of the Republic of Mauritius. The CF has during the year under review been:

- (i) credited with all the revenues of the Public Sector and all other money properly accruing to it;
- (ii) charged with expenses on the authority of warrant issued by the Minister of Finance;

The CF has also been adjusted for the purpose of recognizing accrual transactions such as assets and liabilities of the Government.

(ii) Special fund

Special Funds are funds specified in the schedule [section 2] to the Finance and Audit Act.

1.21. Revenue from 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.

IPSAS 9.11

Revenue is measured at the fair value of the consideration received or receivable as follows:

(i) Rendering of Services

When the outcome of the transaction can be estimated reliably, revenue from rendering of services is recognized by reference to the stage of completion. The stage of completion is measured by reference to services performed to date as a percentage of total services to be performed.

IPSAS 9.19, 9.23c

Where the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

IPSAS 9.25

Commentary

According to IPSAS 9.23, the stage of completion may be determined by variety of methods. Depending on the nature of the transaction, the methods may include:

a. surveys of work performed

b. services performed to date as a percentage of total services to be performed

c. the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

According to IPSAS 9.24, for practical purposes, when services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized on a straight line basis over the specified time frame, unless there is evidence that some other method better represents the stage of completion.

(ii) Sale of Goods

Revenue from the sale of goods is recognized when:

IPSAS 9.28

- the significant risks and rewards of ownership has been transferred to the buyer, usually when goods are delivered,
- when the amount of revenue incurred can be measured reliably,

- when the entity retains neither managerial involvement nor effective control over the goods sold,
- when the costs incurred can be measured reliably, it is probable that the economic benefits or service potential associated with the transaction will flow to the Public Sector.

(iii) Royalties

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

IPSAS 9.34b

(iv) Dividends and Withdrawal of Income from Quasi Corporations

Dividends and Withdrawal of Income from Quasi Corporations are recognized when the Public Sector's right to receive payment is established.

IPSAS 9.34c

(v) Rental Income

Rental income arising from operating leases on investment properties, lease of state land and lease for shooting and fishing are accounted for on a straight-line basis over the lease terms.

IPSAS 13.63

(vi) Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

IPSAS 9.34(a)

(vii) Revenue from Construction Contract*Non-Commercial Contracts*

Contract costs are recognized as an expense on the percentage of completion method, measured by reference to the percentage of labor hours incurred to date to estimated total labor hours for each contract. In some cases, certain construction activity and technical supervision have been subcontracted to private sector contractors for a fixed completion of contract fee. Where this has occurred, the subcontracted costs are recognized as an expense on the percentage of completion method for each subcontract.

IPSAS 11.30

Contract revenue from full cost recovery contracts and partial cost recovery contracts entered into by the Public Sector is recognized by reference to the recoverable costs incurred during the period, measured by the proportion that recoverable costs incurred to date bear to the estimated total recoverable costs of the contract.

IPSAS 11.40

Commercial Contracts

Revenue from fixed price construction contracts is recognized on the percentage of completion method, measured by reference to the percentage of labor hours incurred to date to estimated total labor hours for each contract.

IPSAS 11.30

Revenue from cost plus or cost based contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

1.22. Revenue from 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.

IPSAS 9.11

Revenue is measured at the amount of the increase in net assets recognized by the entity.

IPSAS 23.48

(i) Taxes

Revenue from taxes is recognized when the event occurs and the asset recognition criteria are met. Assets arising from taxation transactions are measured at their fair value at the date of acquisition.

IPSAS 23.59, 23.67

(ii) Grant with Conditions

The Public Sector recognizes the grant money as an asset and also a liability in respect of the condition attached to the grant. As the Public Sector satisfies the condition, it reduces the liability and recognizes revenue in the period the liability is discharged.

IPSAS 23.44, 23.45

(iii) Grant/ Goods In-Kind /Gifts and Donation with No Conditions

Revenues are measured at fair value and recognized on obtaining control of the asset (cash, goods, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Public Sector and can be measured reliably.

IPSAS 23.95, 23.96, 23.97

(iv) Debt Forgiveness

Revenue is recognized in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability. Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

IPSAS 23.85, 23.87

(v) Fines, Fees, and Social Contributions

Fines, fees and social contributions are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

IPSAS 23.31

(vi) Service In-kind

The Public Sector does not recognize services in kind.

IPSAS 23.98

Commentary

According to IPSAS 23.98, an entity may but is not required to recognize services in-kind as revenue and as an asset.

The Government has opted not recognize services in kind.

(vii) Concessionary Loan

For concessionary loans, the difference between loan proceeds and the fair value of the loan on initial recognition is recognized as revenue. However, if a present obligation exists, a liability is recognized and as the present obligation is satisfied, the liability is reduced and an equal amount of revenue recognized.

IPSAS 23.105A,B

1.23. Leases(i) Public Sector as Lessee: Finance lease

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Public Sector.

IPSAS 13.13

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Public Sector also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

IPSAS 13.28

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

IPSAS 13.34

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Public Sector will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

IPSAS 13.36

(ii) Public Sector as Lessee: Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Public Sector. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

IPSAS 13.13, 13.42

(iii) Public Sector as Lessor: Operating Lease

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

IPSAS 13.65

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term.

IPSAS 13.63

Contingent rents are recognized as revenue in the period in which they are earned.

IPSAS 9.34c

1.24. Expenses

Expenses are recognized in the period to which they relate.

(i) Grant and Subsidies

Where grants and subsidies are at the Public Sector's discretion until payment, the expense is recognized when the payment is made. Otherwise, the expense is recognized when the specified criteria for the grant or subsidy have been fulfilled and notice has been given to the Public Sector.

(ii) Contribution

Contributions are recognized in the period to which they relate to.

(iii) Transfer Payment

Transfer payment comprises mainly of pension payments, social aid and grant to NGOs. These are recorded as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

(iv) Supplies and Consumables

These are recognized in the period when goods are received or services are rendered.

1.25. Related Parties

The Public Sector regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Public Sector, or vice versa.

IPSAS 20.4

This includes relationship with entities forming part of the public sector, key management personnel and their close family members. Members of key management are regarded as related parties and comprise The President, Vice President, Prime Minister, Ministers, Permanent secretaries and other Accounting Officers, Key Advisors, Members of Parliaments, Senior Management Group, Councilors, Mayors and their respective close members.

Transactions between these related parties and the Public Sector is disclosed in these consolidated financial statements except for transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the Public Sector would have adopted when dealing with that individual or entity at arm's length in the same circumstances.

IPSAS 20.27

1.26. Segment Reporting

IPSAS 18.12

The Public Sector has three reportable segments:

- Central Government

This comprises of Ministries and Statutory Bodies.

- Local and Regional Government

This comprises of all 12 Local Authorities and the Rodrigues Regional Assembly.

- Public Sector Enterprises

This comprises of Public Controlled Entities

The presentation of the segment information in note ____ is based on the same accounting information as that of the Public Sector.

1.27. Commitments

Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which the Public Sector has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded.

IPSAS 1.129, 14.31

Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at year end.
- Contracts for the supply of goods or services which the Public Sector expects to be delivered in the ordinary course of operations.
- Other non-cancellable commitments.

IPSAS 2.61

1.28. Key Assumptions and Judgements

The preparation of the Public Sector's consolidated financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

IPSAS 1.137, 1.140

(i) Judgements

IPSAS 1.137

In the process of applying the Public Sector's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in these consolidated financial statements.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note ____.

Assessment of significant influence

Where the Public Sector holds less than 20% of voting rights in an investment but the Public Sector has the power to exercise significant influence, such an investment is treated as an associate. In the opposite situation where the Public Sector holds over 20% of voting rights (but not over 50%) and the Public Sector does not exercise significant influence, the investment is treated as an available-for-sale investment.

Assessment of De-Facto Control

De-facto control exists when the size of the Public Sector's own voting rights relative to the size and dispersion of other vote holders, give the Public Sector the practical ability unilaterally to direct the relevant activities of the company.

Although the Public Sector owns less than half of Entity X_ and has less than half of its voting power, management has determined that the Public Sector controls Entity X on a de-facto basis, because the remaining voting rights in the investees are widely dispersed and there is no indication that all shareholders exercise their votes collectively.

Operating Lease Commitments – Public Sector as Lessor

The Public Sector has entered into property leases of certain of its properties. The Public Sector has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(ii) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Public Sector based its assumptions and estimates on parameters available when these consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Public Sector. Such changes are reflected in the assumptions when they occur.

IPSAS 1.140

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Public Sector
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Fair Value Estimation – Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model and adjusted net asset method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Defined Benefit Obligations

The Public Sector's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analyzed in Note _____).

Changes in Accounting Policies

The Public Sector changes its accounting policies only if required by an IPSAS or if the change results into the financial statement providing faithfully representative, and more relevant information.

Changes in accounting policy resulting from the initial application of an IPSAS are accounted in accordance with the specific transitional provisions, if any, in that standard. In the absence of specific transitional provisions, the Public Sector makes retrospective application.

Impairment of Non-Financial Assets – Cash-Generating Assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of non-financial assets.

The Public Sector reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of non-financial assets are inherently uncertain and could materially change over time.

The Public Sector reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Public Sector undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Impairment of Held-To-Maturity Investments and Loans And Receivables

The Public Sector assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of financial performance, the Public Sector evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

Where specific impairments have not been identified the impairment for trade receivables, held-to-maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Inventories

The Public Sector estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices or future service potential.

Taxation Revenues

Tax revenues, the related amounts receivable and payable and the allowance for doubtful accounts are subject to measurement uncertainty due to the use of estimates of amounts not yet assessed/reassessed and of objections filed by taxpayers.

1.29. Financial Risk Management

The Public Sector is exposed to interest rate risk, foreign exchange risk, equity price risk, credit risk and liquidity risk. These risks are managed by individual Public Sector and the Ministry of Finance and Economic Development.

IPSAS 1.129d(ii)

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Public Sector's exposure to the risk of changes in market interest rates relates primarily to the Public Sector's long-term debt obligations with floating interest rates. In general, interest rate risk is managed strategically by issuing a mix of fixed and floating rate debt.

(ii) Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss due to adverse movements in foreign exchange rates.

The Public Sector undertakes transactions denominated in foreign currencies, and is hence exposed to exchange rate fluctuations. In order to minimize its exposure to this risk, the Public Sector holds bank accounts in various currencies such as USD, GBP

(iii) Equity Price Risk

The Public Sector's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The majority of these investment securities are held for strategic reasons and therefore the equity price risk associated with these securities is not managed.

However, the Public Sector manages some of the equity price risk through diversification and by placing limits on individual and total equity instruments.

(iv) Credit Risk

Credit risk is the risk of financial loss to the Public Sector if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from the Public Sector's investments, loans and receivables.

The Public Sector manages their exposure to credit risk by:

- Maintaining credit exposure only with highly rated institutions, for which the probability of default is low. The credit worthiness of counterparties is continuously monitored.
- In some instances, requiring collateral from counterparties.

The risk management of the Public Sector is further detailed in note _____.

(v) Liquidity Risk

Liquidity risk is the risk of the Public Sector not being able to meet its obligations as they fall due. The Public Sector's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Public Sector's reputation.

The Public Sector ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts. In addition, liquidity risk is managed on an individual entity basis, which generally requires entities to hold assets of appropriate quantity and quality to meet their obligations as they fall due.

1.30. Fair Value Measurement

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair values:

IPSAS 30.31

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term receivables are evaluated by the Public Sector based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the incurred losses of these receivables and market related interest rates. As at 30 June 20XX and 20X1, respectively, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of loans, borrowings and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted financial assets is estimated using appropriate valuation techniques (net asset value based on latest audited financial statements).

Fair Value Hierarchy

IPSAS 30.32

The Public Sector uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices)

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

1.31. Events After Reporting Date

The Public Sector makes adjustment for adjusting events after the reporting date and disclosures are made for significant non-adjusting events after the reporting date.

IPSAS 14.10, 14.30

1.32. Standards Issued but Not Yet Effective*IPSAS 3.35*

At the date of authorization of these consolidated financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IPSASB.

With the exception of IPSAS XX (Note XX) these Standards, amendments or Interpretations have not been adopted early by the Public Sector.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

The following standards are expected to have material impact on the Public Sector's financial statements in the period of initial application:

To insert:

- Title of Standard
- Nature of Expected change
- Impact
- Effective Date /Date of adoption by Public Sector

There are no other standards that are not yet effective and that would be expected to have a material impact on the Public Sector in the current or future reporting periods and on foreseeable future transactions.

