

**ESAAG COMMENTS: FINANCIAL REPORTING UNDER THE CASH BASIS
OF ACCOUNTING AND UNDER THE ACCRUAL BASIS OF ACCOUNTING –
COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

Specific matters for comment

- 1. The proposal to require a comparison of budget and actual amounts by all public sector entities which make publicly available their approved budgets as defined, including entities as well as governments. Should the comparison be required or encouraged for such entities and for all entities subject to approved budgets**

Comment:

It should be a requirement for all entities which make publicly available their approved budgets.

It should be encouraged for to others which are not required to make their approved budgets public.

- 2. The proposal to require a comparison of amounts in the final budget and actual amounts as part of the general purpose financial statement. What is your view on whether comparisons of amounts in the original budget and actual amounts should also be required.**

Comment:

Comparison between the final budget and actual as part of the general purpose financial statement should be a requirement.

Comparison between original budget and actual should not be required.

- 3. Whether it is appropriate to require the comparison to be made on the same basis of accounting as adopted for the budget even if that basis is different from the basis adopted for the general purpose financial statement.**

Comment:

Comparison on the same basis should be made a requirement.

4. **The proposal to allow disclosure of the original approved budget as well as require presentation of the final approved budget. Should disclosure of the original be required.**

Comment:

Yes the disclosure of the original budget will give readers a perspective and should be required. Variances in our view will not be necessary though between original budget and actual as it will clutter the whole presentation and readers can always deduce these from the information available.

5. **If the original approved budget is disclosed, whether the disclosure of differences between the original approved and final approved budget arising from policy shifts, natural disasters or other unforeseen events should be required or encouraged. Should disclosure of the reason for these differences be encouraged.**

Comment:

The guiding principle should be “significance” or “materiality”. If the differences are significant or material then they should be disclosed.

6. **Whether disclosure of the difference between the approved final budget and the actual amount on a comparable basis (often referred to as the variance) should be required. Should disclosure of the reasons for material differences be required or encouraged.**

Comment:

The variances between final approved budget and actual should be required. Reasons for material differences should be required. See 5 also above.

7. **The proposal to encourage certain disclosures when there are differences in the basis adopted, reporting periods covered or entities included in the budget and in the general purpose financial statements prepared in accordance with IPSASs**

Comment:

Should be required as the reconciliation is critical in understanding the performance of the organization. The proverbial comparing “apples” with “apples” and “oranges” with “oranges” applies here.

- 8. Whether separate IPSASs should be issued for application when the accrual basis is adopted and when the cash basis is adopted. Rather than issue a separate standard, the requirements proposed in this ED should be included in IPSAS 1 for accrual accounting and in the Cash Basis IPSAS for cash accounting, what is your view?**

Comment:

Incorporate into existing Standards ie IPSAS 1 for accrual standards and Cash Basis IPSAS for cash standards.

General Comments

The General Government Sector and Whole of Government matter is very challenging particularly regarding consolidation in developing countries. A lot of clarifications and examples would greatly assist for application of this ED and others with similar implications once the standard is issued.

Perhaps I missed it somewhere it may also help to define “material” or “significant” differences or variances somewhere in the standard. In the Objective of the ED, the words material differences appear but I cannot seem to find the explanation of this, an agreed definition may avoid misunderstanding.