

July 20, 2009

Technical Director,  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4<sup>th</sup> floor  
Toronto, ON, M5V 3H2

**Re: Comments on Exposure Draft 42, Annual Improvements**

Thank you for providing us with the opportunity to comment on these proposals. In general, staff of the Public Sector Accounting Board (PSAB or Board) staff is supportive of the IPSASB's issuing a standard on Annual Improvements.

We have three issues with the proposed standard in ED 42 regarding process and documentation that are presented for consideration by the IPSASB in Appendix 1.

Please note that these comments are the views of PSAB staff and not of the Board.

We appreciate the opportunity to comment on this Exposure Draft.

Yours truly,



Tim Beauchamp  
Director  
Public Sector Accounting

## Issues with ED 42

### Process and Documentation

1. The objective of the project, as stated by IPSASB, is “to update IPSASs affected by the IASB improvements published in May 2008 ... [specifically] 19 IFRSs.”<sup>1</sup> A clear link between the source 19 IFRSs and the IPSASs impacted is not provided in ED 42. IPSASB’s document “Further Explanatory Material on Exposure Draft 42: Improvements to IPSASs” (EM) sources 20 IASs/IFRSs that were changed by the IASB’s annual improvements project adopted in May 2008. However, a clear reference between the EM and ED 42 is absent in ED 42.

The nature of the annual improvements project is technical and spread over a number of unrelated subject matters. Accordingly, a lock-step approach serves both the IPSASB and users well in terms of identifying the source information, following the changes through, and agreeing with the conclusions regarding impacts of the changes. Together, ED 42 and EM take a lock-step approach, but their piecemeal issuance detracts from a user’s confidence that all of the changes to IASB pronouncements have been fully and completely dealt with.

PSAB staff suggests that future years’ exposure drafts on improvements include EM-like material, as part of the “Introduction”, rather than under separate cover.

In the event that separate documents are issued, PSAB staff suggests that any explanatory material issued includes notation that it forms an integral part of the specific exposure draft, and, if possible, that the on-line file of the exposure draft is revised to note the existence of explanatory material and its integral relationship to the exposure draft.

2. Ten of the improvements by the IASB are reported to be reflected in recent exposure drafts issued by the IPSASB. However, the individual exposure drafts do not include specific references to the effective date of the IASs from which they are drafted. For example, ED 42 on Intangible Assets references the source as IAS 38, but does provide an issued or amended date for the IAS. As a consequence, a reader of ED 42 would not be able to quickly discern the reflection of the IAS improvement in the IPSASB converged standard. This is especially critical over the next few years, during which time the IPSASB plans to undertake regular annual improvement projects, continue to converge with IASB standards, and complete its conceptual framework.

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<sup>1</sup> Project page, updated at March 11, 2009,  
[www.ifac.org/PublicSector/ProjectHistory.php?ProjID=0087](http://www.ifac.org/PublicSector/ProjectHistory.php?ProjID=0087)

PSAB staff suggests that future convergence project documents reference the issued or amended dates of the IAS from which the new IPSAS is sourced, in the “Acknowledgement” section of the document.

3. Four of the improvements to IASs are noted as having “no equivalent IPSAS” in the EM. One of these, related to “earnings per share”, has no basis in public sector accounting, while the other three may apply to the public sector (i.e. interim reporting, accounting for government grants, and non-current assets held for sale and discontinued operations). Respecting these three, a reader has no idea whether IPSAS plans to deal with the IASs as part of its convergence strategy, or IPSAS has considered the application of the IAS to the public sector and has determined it does not.

PSAB staff suggests that future exposure drafts on annual improvements based on IASB approved improvements note the IPSASB's intention regarding dealing with the subject matter, to facilitate a reader's understanding of IPSASB's next steps, if any.



## Accounting Standards Board

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Stephenie Fox,  
Technical Director,  
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International Federation of Accountants,  
277 Wellington Street, 4<sup>th</sup> Floor,  
Toronto, Ontario, M5V 3H2 CANADA

17 September 2009

Dear Stephenie

### **Exposure Draft 42 '*Improvements to IPSASs*'**

1 The UK Accounting Standards Board's Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) proposals in Exposure Draft 42 '*Improvements to IPSASs*'.

2 The UK ASB has supported the International Accounting Standards Board (IASB) in introducing the annual improvements process as a way of enabling matters of clarification or conflicts between IFRSs to be resolved in a quick and efficient manner. The UK ASB and CAPE also support the IPSASB's policy to develop a set of accrual based International Public Sector Accounting Standards that are convergent with IFRSs issued by the International Accounting Standards Board, where appropriate for public sector entities. CAPE is therefore supportive of IPSASB's proposals to propose improvements to 12 IPSASs in order to converge with amendments to IFRS in the IASB's '*Improvements to IFRSs*' (issued in May 2008).

3 We found the explanatory material that was published alongside the Exposure Draft helpful in reconciling the amendments proposed in ED 42 to those that were issued by the IASB in May 2008. Based on our review of that material, we agree with the proposed amendments. We also agree that not all the IASB amendments are relevant, for example where there is no equivalent IPSAS or where the IASB amendment is incorporated within other exposure drafts that have recently been published by IPSASB.

4 In reviewing recent exposure drafts, we have noted that IPSASB has considered IFRICs in the context of the IFRS to which they primarily relate: this approach has resulted in ED 38 including adapted versions of IFRIC 9 and IFRIC 11 and ED 40 including an adapted version of SIC 32. Whilst we have supported this approach, we think that going forward it would be helpful for IPSASB to have a clear and explicit policy for dealing with IFRICs.

5 If you require any further information please contact me or Alan O'Connor ([a.oconnor@frc-asb.org.uk](mailto:a.oconnor@frc-asb.org.uk)) or telephone +44 (0)20 7492 2421).

Yours sincerely



**Andrew Lennard**  
**Chairman, Committee on Accounting**  
**for Public-benefit Entities**

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## Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)

Stephenie Fox  
Technical Director  
International Public Sector  
Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2  
CANADA

Chavannes-Lausanne, September 17, 2009

### Swiss Comments to ED 42: „Improvements to IPSASs“

Dear Stephenie,

With reference to the request for comments on the proposed Exposure Draft, we are pleased to present the Swiss Comments to Exposure Draft 42: „Improvements to IPSASs“.

We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to ED 42 in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Sonja Ziehli, Secretary

Swiss Comments to ED 42

## **Swiss Comments to**

### **ED 42: „Improvements to IPSASs“**

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## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) has discussed ED 42 „Improvements to IPSASs“ in its meeting on September 3, 2009 and comments as follows. The SRS-CSPSP was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level. One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

## 2. Comments to Exposure Draft 42 “Improvements to IPSASs”

SRS-CSPCP discussed ED 42. It sees no sector-specific reasons to depart from the amendments and new formulations of the IFRS.

**SRS-CSPCP agrees with Exposure Draft 42 as proposed and has no remarks.**

Chavannes-Lausanne, September 17, 2009





The institute for the accountancy profession in Sweden

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario, Canada M5V 3H2

29<sup>th</sup> September 2009

## **ED 42 Improvements to IPSASs**

FAR SRS, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the exposure draft *ED 42 Improvements to IPSASs*.

### **General Comment**

FAR SRS supports the IPSASB's strategic objective in converging IPSASs with IFRSs regarding all areas where there are no specific public sector reasons for departure.

FAR SRS

Magnus Fagerstedt  
*Chairman FAR SRS Public Sector reference group*



Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario, M5V 3H2 Canada  
29 September 2009

Dear Stephenie,

**COMMENTS ON ED 42, "IMPROVEMENTS TO IPSASs"**

Enclosed please find our comments on ED 42, "Improvements to IPSASs". We welcome the opportunity to provide comments on ED 42 and commend the IPSASB for undertaking a periodic revision of the IPSASs as a result of amendments to the equivalent IFRSs.

Our detailed comments on the amendments proposed to various IPSASs, as well as general comments, are set out in Annexure A to this letter.

While we acknowledge the IPSASB's efforts to update the IPSASs for annual Improvements to IFRSs made to the equivalent IFRSs by the IASB, we would like to encourage the Board to undertake a future project to review existing IPSASs to ensure consistent references to other standards, use of terminology and structure. The discussion that follows outlines examples of inconsistent references to standards, terminology and structure and is not a comprehensive list.

*Examples of inconsistent references to other standards*

In the IPSASs recently issued by the IPSASB, references have been included to the "international or national accounting standard dealing with non-current assets held for sale and discontinued operations". Similar references do not exist in existing IPSASs. The IPSASB should consider whether it should issue an equivalent of IFRS 5 on Non-current Assets Held for Sale and Discontinued Operations and, if yes, it can update the existing IPSASs as part of the consequential amendments to that proposed IPSASs. If the IPSASB does not issue an equivalent of IFRS 5, it should review the existing IPSASs and amend the references to ensure consistent treatment of assets held for sale across the suite of IPSASs.

Board Members: Ms K Bromfield, Mr R Cottrell (Chairperson), Mr V Jack, Ms CJ Kujenga,  
Mr K Kumar, Mr T Makwetu, Mr F Nomvalo, Mr G Paul, Mr I Sehoole  
Chief Executive Officer: Ms E Swart

*Examples of inconsistent terminology*

When the IPSASB considered the revisions made to the IASs by the IASB as part of its General Improvements Project, the IPSASB did not amend all the affected IPSASs. Consequently, certain terms that were amended in the IPSASs as part of the 2006 improvements project, have not been amended in the IPSASs that were not included in the 2006 improvements project. For example, the term “dividends” was amended to “dividends or similar distributions” as part of the improvements project in 2006. IPSAS 2 however still refers extensively to “dividends”.

The term “net surplus or deficit” was also amended to “surplus or deficit” as part of the improvements project undertaken in 2006. IPSAS 2, particularly paragraph 22 (which is being revised) refers to “net surplus or deficit”. As noted in Appendix A to IPSAS 1 the references to “net surplus or deficit” should be amended to “surplus or deficit” throughout the text of the relevant IPSASs. The IPSASB should amend these references either when compiling the next edition of the handbook or as part of a general revision of the existing IPSASs.

*Examples of inconsistent structure*

BC2 of IPSAS 1 states that: “Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure and text of the IFRSs, unless there is a public sector specific reason for departure.”

The structure of some of the existing IPSASs differs from that of the IFRSs as the Basis for Conclusions is presented after non-authoritative text. This is the case for IPSAS 1, IPSAS 3, IPSAS 4, IPSAS 6, IPSAS 7, IPSAS 8, IPSAS 12, IPSAS 13, IPSAS 14, IPSAS 16, IPSAS 17, IPSAS 21 to IPSAS 26.

Consequently, we suggest that the structure of these IPSASs should be reviewed.

Please feel free to contact me should you have any queries on our comments.

Yours sincerely



Erna Swart  
Chief Executive Officer

## 1. GENERAL

### 1.1 Basis for Conclusions

A basis for conclusions paragraph has been proposed for inclusion in many of the amended IPSASs. When the IPSASB revised IPSAS 1, 3, 4, 6, 7, 8, 12, 13, 14, 16 and 17 for amendments made to the equivalent IASs as part of the 2003 Improvements Project undertaken by the IASB, it added a basis for conclusions outlining its rationale and conclusions in undertaking the revisions to the IPSASs.

The basis for conclusions in these IPSASs makes specific reference to the IPSASB's consideration of the changes made to the equivalent IFRSs/IASs. We propose that similar wording is used in the new basis for conclusions paragraph added to the improved IPSASs.

We also propose that the basis for conclusions is appropriately separated between those paragraphs relating to the 2003 revisions or conclusions reached in issuing the IPSAS, and subsequent revisions. This can be achieved by inserting appropriate headings in the existing basis for conclusions.

The following format and wording is suggested for both proposed revisions, using IPSAS 1, "Presentation of Financial Statements" as an example.

#### **Revision of IPSAS 1 as a result of the IASB's General Improvements Project 2003**

##### *Background*

BC1 – BC10

#### **Revision of IPSAS 1 as a result of the IASB's Improvements to IFRSs issued in 2008**

BC11. The IPSASB reviewed the revisions to IAS 1 included in the Improvements to the IFRSs issued by the IASB in May 2008 and concurred with the IASB's reasons for revising the IAS and with the amendments made.

### 1.2 Comparison of IPSASs to equivalent IFRSs/IASs

The various comparisons of the individual IPSASs to the equivalent IFRSs/IASs generally state that: "IPSAS X is primarily drawn from IAS X issued in YYYY".

Due to the fact that improvements have been incorporated in various IPSASs as part of the *Improvements to the IFRSs*, it may be appropriate to amend the comparison to indicate this fact. The following wording is suggested for the various comparisons, using IPSAS 1, "Presentation of Financial Statements" as an example.

#### **Comparison with IAS 1**

IPSAS 1 is drawn primarily from IAS 1 (2003) and includes amendments made to IAS 1 as part of the Improvements to IFRSs issued in May 2008...

## 2. PART I

### 2.1 IPSAS 7, “Investments in Associates”

IPSAS 7 paragraph 47A on the effective date and transition should be amended as follows: “those amendments” should be changed to “this amendment” (sentence 2) and “amendments” be “amendment” (sentence 3 and last sentence).

### IPSAS 8, “Interests in Joint Ventures”

The heading “Effective Date” should be amended to “Effective Date and Transition” in accordance with the amendments made to IAS 31 as part of the *Improvements to IFRSs* issued in May 2008.

### 2.2 IPSAS 16, “Investment Property”

Paragraph 101A currently states the following: “...If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 7 of IPSAS 17, “Property, Plant and Equipment”. In line with the revisions to IAS 40, the paragraph should refer to both paragraphs 7 and 107A.

### 2.3 IPSAS 17, “Property, Plant and Equipment”

Our specific comment on consistent use of terminology in the covering letter refers. Paragraph 22 of IPSAS 2 refers to “net surplus or deficit”.

### 2.4 IPSAS 25, “Employee Benefits”

The equivalent of paragraph 160 in IAS 19 has been omitted from IPSAS 25. This paragraph effectively provides entities relief from preparing a 5 year sensitivity analysis; instead they include the information in their financial statements after each completed reporting period. While this relief may not be necessary for those entities that have applied IAS 19, it is particularly relevant for those entities that apply accrual accounting for the first time.

The IPSASB should consider re-instating this paragraph as part of any future improvements/revisions to the IPSASs.

## 3. PART II

### 3.1 IPSAS 1, “Presentation of Financial Statements”

3.1.1 Paragraph 82 refers to “...bank overdrafts, and the current portion of non-current liabilities, dividends payable, income taxes and other non-trade payables.” While not specifically related to the *Improvements to IFRSs* published in 2008, the reference to “dividends payable” is incorrect. The term “dividends or similar distributions” is used elsewhere in IPSAS 1 (see paragraphs 117 and 149(a) and (b)). The reference in paragraph 82 should therefore be corrected to “dividends or similar distributions” either as part of this project or as a part of another project to revise existing IPSASs.

3.1.2 The heading “Effective Date” should be amended to “Transition and Effective Date” in accordance with the amendments made to IAS 1 as part of the *Improvements to IFRSs* issued in May 2008.

3.1.3 Paragraph 153A currently refers to an amendment (singular) while there are in fact two amendments proposed. The wording should be amended appropriately.

### **3.2 IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”**

Amended paragraph 11 refers to IPSASs being accompanied by “guidance”. With the inclusion of any interpretative guidance issued by the IFRIC of the IASB as appendices to the relevant IPSASs, it should be clearly indicated in those appendices that they constitute “guidance” to the relevant IPSASs. For example, the appendices to ED 38 prescribing guidance from the relevant IFRICs should refer to: “Application Guidance – Reassessment of Embedded Derivatives” and “Application Guidance – Hedges of a Net Investment in a Foreign Operation”. Without these specific references, the authority of the appendices may be unclear.

### **3.3 IPSAS 6, “Consolidated and Separate Financial Statements”**

The main thrust of the amendment made by the IASB to IAS 27 on *Consolidated and Separate Financial Statements* was to clarify the interaction between IFRS 5, IAS 39 and IAS 27 regarding investments in subsidiaries that are held for sale and the appropriate measurement.

As the IPSASB has no equivalent of IFRS 5, this amendment is relatively minor and should be delayed until the IPSASB has made a decision regarding an equivalent of IFRS 5.

### **3.4 IPSAS 10, “Financial Reporting in Hyperinflationary Economies”**

3.4.1 Paragraph 22 as marked up in ED 42 differs from the published text in the 2009 handbook. The opening sentence in the 2009 handbook refers to IPSAS 21 and IPSAS 26 rather than the international or national accounting standards. The most recent version should be published in the final document.

3.4.2 The second sentence refers to “For example, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount or recoverable service amount...”. Based on the discussions in ED 41, there is no recoverable service amount for goodwill. We therefore suggest that the sentence be reconstructed to ensure that this inconsistency is avoided.

3.4.3 The heading and paragraphs 28-29 in the section that deals with “Surplus or Deficit on Net Monetary Position” incorrectly refers to “surplus or deficit” on the net monetary position instead of a “gain or loss” on the net monetary position. We suggest that this is corrected in finalising the document or as part of future improvements to IPSAS 10. This will then enable the inclusion of the amendment made to IAS 29.28 as part of the *Improvements to IFRSs* for 2008.



30 September 2009

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario, M5V 3H2 Canada

Email: [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

Dear Stephenie

**SAICA SUBMISSION ON THE IPSASB PROPOSED IMPROVEMENTS TO  
IPSASs: (ED 42)**

In response to your request for comments on the proposed Improvements to the International Public Sector Accounting Standards (IPSASs), attached is the comment letter prepared by The South African Institute of Chartered Accountants (SAICA).

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely

**Mohammed Lorgat**  
**Project Director – Public Sector**

cc: Nazeer Wadee (SAICA COO)  
PSC members

**SAICA SUBMISSION ON THE IPSASB PROPOSED IMPROVEMENTS TO THE IPSASs (ED 42)****GENERAL COMMENTS**

We appreciate the IPSASB's efforts to update the IPSASs for annual Improvements to IFRSs made to the equivalent IFRSs by the IASB however we would like to encourage the IPSASB to undertake a further project to review existing IPSASs to ensure consistent references to other standards, use of terminology and structure.

We also would encourage a review or survey of the number of IFAC member bodies that have adopted IPSAS as the Public Sector Accounting Framework as a percentage against total IFAC members. The review or survey should identify root causes of partial or non-adoption of the IPSASs. We feel that this will significantly assist the Board in future improvement projects as the nuances of many developing nation members do not always seem to be taken into consideration.

We must also acknowledge our South African Public Sector standard setter, the Accounting Standards Board (ASB) who issues public sector standards that take into account the best of the IPSASs and IFRSs. We fully support their comments that they have outlined in their comment letter to the Board.

**OTHER COMMENTS**

We believe that the proposed changes do clarify the IPSASs further and if these can be combined with consistent use of terminology and structure as well as appropriate references to other standards then they should be very effective.

The comments per IPSAS are the same as those outlined by the ASB and we do not wish to restate their comments.

#286927



Our ref: Responses/090930 SC0125

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4th Floor  
Toronto, Ontario M5V 3H2 CANADA  
By email to: [EDComments@ifac.org](mailto:EDComments@ifac.org), [StephenieFox@ifac.org](mailto:StephenieFox@ifac.org)  
30 September 2009

Dear Stephenie Fox

### **IPSASB Exposure Draft ED 42: Improvements to IPSASs**

CIPFA welcomes the opportunity to comment on this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary. The proposed Improvements IPSAS is, in our view, an appropriate approach to maintaining the suite of converged standards.

We note that some of the improvements in the Improvement IFRS 2008 were incorporated in IPSAS Exposure Drafts on which CIPFA has already commented. CIPFA agrees that the remaining improvements which are proposed in this ED are appropriate and should be reflected in the IPSASs as proposed.

I hope this is a helpful contribution to IPSASB's development and maintenance of its suite of standards.

Yours sincerely

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INVESTOR IN PEOPLE

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[StephenieFox@ifac.org](mailto:StephenieFox@ifac.org)

8 October 2009

Ref.: PSC/HvD/SS/SR

Dear Ms Fox,

**Re: FEE Comments on IPSASB Exposure Draft ED 42: Improvements to IPSASs**

- (1) FEE (the Federation of European Accountants) is pleased to submit its views on the IPSASB Exposure Draft ED 42: Improvements to IPSASs.
- (2) We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary. The proposed Improvements IPSAS is, in our view, an appropriate approach to maintaining the suite of converged standards.
- (3) We note that some of the improvements in the Improvement IFRS 2008 were incorporated in individual IPSAS Exposure Drafts on which FEE has already commented. FEE agrees that the remaining improvements which are proposed in this ED are appropriate and should be reflected in the IPSASs as proposed.

We hope these comments are a helpful contribution to the development of the revised standard. For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,



Hans van Damme  
President



**Australian Government**  

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**Department of Finance and Deregulation**

Contact: Peter Gibson  
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e-mail: Peter.Gibson@finance.gov.au

Ms Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

**International Public Sector Accounting Standards Board Exposure  
Draft 42 – Improvements to IPSASs**

The Australian Government's Department of Finance and Deregulation (Finance) welcomes the opportunity to respond to the International Public Sector Accounting Standards Board's Exposure Draft 42 *Improvements to IPSASs*.

With the exception of the amendments to property under construction or development for future use as investment property under IPSAS 16 *Investment Property*, Finance does not have any major concerns with the amendments proposed in ED 42.

Finance usually contributes to the Australian Heads of Treasuries Accounting and Reporting Advisory Committee's (HoTARAC) response to proposals. HoTARAC has decided not to respond to ED 42, however Finance is of the view that the comments made in the HoTARAC response to International Accounting Standards Board Exposure Draft *First Annual Improvement Project* (October 2007) in regards to IAS 40 *Investment Property* are still valid. The majority of HoTARAC's constituents did not believe, at the time, that all investment property acquired for construction or development should be recorded at fair value. This view was based on the practicalities and costs of complying with this requirement, as well as the following theoretical arguments:

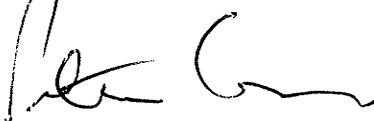
- A great deal of property acquired for investment would not be available for sale during the construction period. Consequently, fair value, which is mostly based on exit prices, is irrelevant although it is noted that impairment may be relevant;

- The major consideration of management during a project's construction phase would be the variance in actual construction costs when compared to budgeted construction costs. Again, fair value is largely irrelevant; and
- The IASB have not adequately explored the distinction between an existing property held for partial redevelopment (with minimal change to the existing asset) and an acquired property that is intended to be developed (usually requiring considerable change to the asset).

In a situation where an existing or acquired investment property is specifically held for sale during the construction period it could be argued that it should be held at fair value. This could be achieved without requiring all properties to be held at fair value.

If you have any queries regarding this response, I can be contacted on +61 2 6215 3551 or [peter.gibson@finance.gov.au](mailto:peter.gibson@finance.gov.au).

Yours sincerely



Mr Peter Gibson  
Acting First Assistant Secretary  
Financial Reporting and Cash Management Division  
9 October 2009

**CONSEIL DE NORMALISATION DES COMPTES PUBLICS****LE PRÉSIDENT**

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N°

Paris, 19<sup>th</sup> October 2009

Ms Stephenie Fox

Technical director

International Public Sector Accounting  
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277 Wellington Street, 4<sup>th</sup> floor

Toronto,

Ontario M5V 3H2 CANADA

Re : Proposed International Public Sector Accounting Standard  
Exposure Draft 42 – Improvements to IPSASs

Dear Ms Fox,

I am writing on behalf of the French “Conseil de normalisation des comptes publics” (CNOCP)<sup>1</sup> to express my views on the above-mentioned Exposure Draft<sup>2</sup>.

As already mentioned in our four previous comment letters (relating to ED 36, ED 37, 38, 39, ED 40 and ED 41), we find regrettable that all of IPSAS Board’s energy has been devoted to convergence with International Financial Reporting Standards, sometimes over trivial matters, whereas at the same time, special features of the public sector have not been dealt with.

We note the IPSAS Board objective to propose improvements to twelve IPSASs in order to converge with amendments to IFRS in the IASB’s “Improvements to IFRSs” issued in May 2008, even if we disagree with this process of convergence. We believe that the IPSAS Board Exposure Draft must be a stand-alone document and has to contain at least its own basis for conclusions. We disagree with the obligation to read the basis for conclusions in an IFRS document. In some cases, the IFRS basis for conclusions are totally inadequate and does not provide the necessary explanations. As an illustration, the basis of conclusions of IFRS are unsuited to the proposed amendment to IPSAS 5 “*Borrowing Costs*”, insofar as provisions on borrowing costs in IPSAS 5 and IAS 23 are different.

Our detailed comments on the improvements to twelve IPSASs are set out in the Appendix.

I hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Michel Prada

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<sup>1</sup> See Appendix 1

<sup>2</sup> See the French original version in Appendix 3

## APPENDIX 1

### **Conseil de normalisation des comptes publics (CNOCP)**

#### **1. Establishment of the “Conseil de normalisation des comptes publics” as Public Sector Accounting Standards Board and jurisdiction.**

The Public Sector Accounting Standards Board was established by a Budget Amendment on the 30<sup>th</sup> December 2008 and supersedes the Public Accounting Standards Committee.

This new Board is in charge of setting the accounting standards of all entities with a non-market activity and primarily funded by public funding, including contributions.

The Central Government and the agencies working for the Central government, Local authorities and local public institutions, Social Security and affiliated agencies are all within the jurisdiction of the CNOCP.

Extending the scope of the former Public Accounting Standards Committee which used to only regulate the French Central government accounting standards has empowered Public Finances with the ability to deal with a consistent accounting policy for the whole of French Public Administrations.

#### **2. Organization of the “Conseil de normalisation des comptes publics”.**

The Board is an advisory body under the authority of the Minister for the Budget which publishes preliminary advice on all the legislative texts concerning accounting issues relevant to any entity within its jurisdiction. It can also put forward new and innovative provisions and participates actively in the regulation of accounting standard on a national and international level. All this information is available to the public.

The Board is managed by a President appointed by the Minister for the Budget and any decisions are taken consensually by a College made up of eighteen members of whom nine are statutory and nine are external experts. The President and the College are supported by three standing commissions and a steering committee. The three standing commissions are as follows: “the Central Government and the agencies working for the Central government”, “Local authorities and local public institutions”, “Social Security and affiliated agencies”

The Board has at its disposal a permanent team of specialists who report to the President and who are managed by a General Secretary.

## APPENDIX 2

### Comments on individual amendments

#### *Part I*

##### *IPSAS 5, “Borrowing Costs”*

###### *Components of borrowing costs in definition of borrowing costs*

The ‘Conseil de normalisation des comptes publics’ agrees with this amendment which proposes to include in borrowing costs interest expense calculated using the effective interest rate method. We also support deleting the reference to the amortization costs incurred in connection with the arrangement of borrowings, because, according to the benchmark treatment in IPSAS 5, those costs should be recognized as an expense.

Nevertheless, we regret that this Exposure Draft does not include specific basis for conclusions, as provisions on borrowing costs in IPSAS 5 and IAS 23 are different. According to IAS 23, an entity shall capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, contrary to IPSAS 23 which proposes a benchmark and an alternative treatment.

##### *IPSAS 7, “Investments in Associates”*

###### *Required disclosures when investments in associates are accounted for at fair value through surplus or deficit*

The ‘Conseil de normalisation des comptes publics’ does not agree with the proposed amendment. We consider inappropriate that IPSAS 7 defines disclosures for investments in associates specifically excluded from its scope.

For those investments in associates excluded from the scope of IPSAS 7, we consider necessary to define provisions in the future international accounting standard dealing with financial instruments.

##### *IPSAS 8, “Interests in Joint Ventures”*

###### *Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit*

The ‘Conseil de normalisation des comptes publics’ does not agree with the proposed amendment. We consider inappropriate that IPSAS 8 defines disclosures for venturers’ interests in jointly controlled entities specifically excluded from its scope.

For those venturers’ interests in jointly controlled entities that are excluded from the scope of IPSAS 8, we consider necessary to define provisions in the future international accounting standard dealing with financial instruments.

*IPSAS 16, “Investment Property”**Property under construction or development for future use as investment property*

The ‘Conseil de normalisation des comptes publics’ agrees with this amendment which proposes to include property under construction or development for future use as an investment property within the scope of IPSAS 16.

However, the amendment raises additional questions of assets under construction falling into the scope of IPSAS 17 “*Property, Plant and Equipment*”. We suggest that the Board clarifies which method under IPSAS 17 should be applied in measuring such assets (cost or revalued amount).

*IPSAS 17, “Property, Plant and Equipment”**Sale of assets held for rental*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

We question however the scope of this amendment since public sector entities do not, in the course of its ordinary activities, routinely holds for rental to others items of property, plant and equipment.

That being said, we question the proposed amendment to IPSAS 2 in the Appendix of the amendment to IPSAS 17. According to this amendment, it is proposed to present sales cash flows in “operating activities”. As cash flows from purchasing or production of fixed assets are “investing activities”, we believe that a classification into "investing activities" would be more appropriate.

*IPSAS 25, “Employee Benefits”**Replacement of term “fall due”**Curtailments and negative past service cost**Plan administration costs**Guidance on contingent liabilities*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendments.

*IPSAS 26, “Impairment of Cash-Generating Assets”**Disclosure of estimates used to determine recoverable amount*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

We consider that the same disclosures have to be given for the estimates used to measure unit’s recoverable amount when it is based on fair value less costs to sell, that fair value less costs to sell be determined using an observable market price or using discounted cash flow projections.



## ***Part II***

### *IPSAS 1, “Presentation of Financial Statements”*

#### *Editorial changes*

The ‘Conseil de normalisation des comptes publics’ does not agree with the proposed amendment, which comes from the current wording of IAS 39. In our comment letter to the Exposure Draft 38 *“Financial Instruments: Recognition and Measurement”*, we mentioned our opposition to adopt the IAS 39 provisions for the public sector.

However, we believe important that IPSAS 1 clarifies that financial assets held for trading should be presented as current financial assets.

### *IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”*

#### *Status of implementation guidance*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

### *IPSAS 6, “Consolidated and Separate Financial Statements”*

#### *Editorial changes*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

### *IPSAS 10, “Financial Reporting in Hyperinflationary Economies”*

#### *Editorial changes*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

### *IPSAS 14, “Events After the Reporting Date”*

#### *Dividends declared after the end of the reporting period*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendment.

### *IPSAS 16, “Investment Property”*

#### *Consistency of terminology with IPSAS 3*

#### *Investment property held under lease*

The ‘Conseil de normalisation des comptes publics’ agrees with the proposed amendments.

### APPENDIX 3

**Here is the French original version of our response to the ED 37, 38 and 39  
dedicated to the French speaking language people**

Nous vous prions de bien vouloir trouver ci-joint la réponse du Conseil de normalisation des comptes publics (CNOCP)<sup>3</sup> sur l'exposé-sondage relatif aux améliorations annuelles.

Comme déjà mentionné dans nos quatre précédentes lettres de commentaires, nous regrettons que tous les moyens de l'IPSAS Board aient été consacrés à la convergence vers les normes IFRS, sur des sujets parfois mineurs pour le secteur public, alors même que les spécificités les plus importantes du secteur public ne sont pas traitées.

Nous prenons note de l'objectif de l'IPSAS Board de converger vers la norme « Improvements to IFRSs » publiée par l'IASB en mai 2008, bien que là encore, nous soyons en désaccord avec le processus général de convergence entrepris.

Concernant cet exposé sondage ED 42, nous ne sommes pas d'accord avec le fait que celui-ci ne présente pas ses propres fondements de conclusions et renvoie au document de l'IASB. Nous considérons que les exposés-sondages de l'IPSAS Board doivent constituer des documents autonomes au sein de ce même référentiel.

A titre d'illustration, les fondements de conclusions du référentiel IFRS sont inadaptés à l'amendement proposé de la norme IPSAS 5 « Borrowing Costs », dans la mesure où les dispositions de la norme IPSAS 5 sont différentes de la norme IPSAS 23. En effet, la norme IPSAS 5 prévoit que les coûts d'emprunt peuvent être soit comptabilisés en charges (traitement de référence), soit activés, contrairement au référentiel IFRS où l'incorporation au coût des actifs des coûts d'emprunts encourus est désormais imposée par la norme IAS 23.

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<sup>3</sup> Cf. annexe 1.

## ANNEXE 1

### Conseil de normalisation des comptes publics (CNOCP)

#### 1. Création du Conseil de normalisation des comptes publics et champ de compétence

Le Conseil de normalisation des comptes publics a été créé par la loi de finances rectificative du 30 décembre 2008, et remplace le Comité des normes de comptabilité publique.

Ce nouveau Conseil est en charge de la normalisation comptable de toutes les entités exerçant une activité non marchande et financées majoritairement par des ressources publiques et notamment des prélèvements obligatoires.

Entrent dans son périmètre l'Etat et les organismes dépendant de l'Etat, les collectivités territoriales et les établissements publics locaux, et la Sécurité sociale et les organismes qui lui sont assimilés.

Cette extension de périmètre par rapport à l'ancien Comité des normes de comptabilité publique qui était en charge de la normalisation des comptes de l'Etat français se justifie par la nécessité de définir une politique de normalisation comptable cohérente au niveau de l'ensemble des administrations publiques.

#### 2. Mode de fonctionnement du Conseil de normalisation des comptes publics

Le Conseil est un organisme consultatif placé auprès du Ministre chargé des comptes publics qui doit donner un avis préalable sur tous les textes réglementaires comportant des dispositions comptables applicables à des entités entrant dans son champ de compétence. Il peut également proposer des dispositions nouvelles et doit participer aux réflexions sur la normalisation comptable au niveau national et international. Ses avis sont publics.

Le Conseil est dirigé par un Président nommé par le Ministre chargé des comptes publics et ses attributions sont exercées par un Collège composé de dix huit membres dont neuf membres de droit et neuf personnalités qualifiées. Le Président et le collège sont assistés par trois commissions permanentes et un comité consultatif d'orientation. Les trois commissions permanentes sont les suivantes : « Etat et organismes dépendant de l'Etat », « Collectivités territoriales et établissements publics locaux », « Sécurité sociale et organismes assimilés ».

Le Conseil dispose d'une équipe technique permanente placée sous l'autorité du Président et dirigée par un secrétaire général.

## ANNEXE 2

## Commentaires sur les amendements proposés

**Part I***IPSAS 5, “Borrowing Costs”**Components of borrowing costs in definition of borrowing costs*

Nous sommes d'accord avec la proposition d'amender le paragraphe 6 de la norme IPSAS 5 pour définir les coûts d'emprunt en précisant qu'ils incluent les charges d'intérêt calculées selon la méthode du taux d'intérêt effectif.

Nous sommes également d'accord avec la suppression de la référence à l'amortissement des coûts accessoires encourus pour la mise en place des emprunts (suppression du paragraphe 6 c, de la norme IPSAS 5), dans la mesure où, selon le traitement de référence, les coûts d'emprunt peuvent être comptabilisés en charges de la période au cours de laquelle ils sont encourus (IPSAS 5.14).

Nous attirons néanmoins votre attention sur le fait que la suppression de la référence à l'amortissement des coûts accessoires encourus pour la mise en place des emprunts n'a pas d'incidence dans le référentiel IPSAS dans la mesure où, selon le traitement de référence, les coûts d'emprunt peuvent être comptabilisés en charges, contrairement au référentiel IFRS où l'incorporation au coût de certains actifs des coûts d'emprunts encourus est désormais imposée par la norme IAS 23. Ce point aurait pu être utilement commenté dans les fondements de conclusions spécifiques de la norme IPSAS ainsi révisée.

*IPSAS 7, “Investments in Associates”**Required disclosures when investments in associates are accounted for at fair value through surplus or deficit*

Nous ne sommes pas d'accord avec la proposition d'amendement.

Dès lors que des participations dans des entreprises associées sont exclues du champ d'application de la norme IPSAS 7 en vertu des dispositions du paragraphe 1, nous considérons qu'il est incohérent que cette norme IPSAS prévoit des informations en annexe pour ces exclusions. Nous ne sommes donc pas d'accord avec la proposition de rédaction de la dernière phrase du paragraphe 1.

En revanche, nous estimons nécessaire de prévoir dans une future norme sur la comptabilisation et l'évaluation des instruments financiers des dispositions spécifiques sur les participations exclues du champ d'application de cette norme IPSAS 7.

*IPSAS 8, “Interests in Joint Ventures”**Required disclosures when interests in jointly controlled entities are accounted for at fair value through surplus or deficit*

Nous ne sommes pas d'accord avec la proposition d'amendement.

Dès lors que des participations dans des coentreprises sont exclues du champ d'application de la norme IPSAS 8 en vertu des dispositions du paragraphe 1, nous considérons qu'il est incohérent que cette norme IPSAS prévoit des informations en annexe pour ces exclusions. Nous ne sommes donc pas d'accord avec la proposition de rédaction de la dernière phrase du paragraphe 1.

En revanche, nous estimons nécessaire de prévoir dans une future norme sur la comptabilisation et l'évaluation des instruments financiers des dispositions spécifiques concernant les participations exclues dans le paragraphe 1.

### *IPSAS 16, "Investment Property"*

#### *Property under construction or development for future use as investment property*

Nous sommes d'accord avec la proposition d'amendement.

Nous sommes en effet favorables à l'inclusion dans le champ d'application de la norme IPSAS 16 des biens immobiliers en cours de construction ou d'aménagement en vue d'une utilisation ultérieure en tant qu'immeuble de placement.

Néanmoins, cette modification nous amène à nous interroger sur les biens immobiliers en cours de construction ou d'aménagement entrant dans le champ d'application de la norme IPSAS 17 "*Property, Plant and Equipment*". Dans la mesure où, selon la norme IPSAS 17, les actifs immobiliers peuvent être évalués soit selon le modèle du coût, soit selon le modèle de la réévaluation, nous estimons nécessaire qu'une précision soit apportée sur l'évaluation en date d'arrêt des biens immobiliers en cours de construction.

### *IPSAS 17, "Property, Plant and Equipment"*

#### *Sale of assets held for rental*

Nous sommes d'accord avec la proposition d'amendement de la norme IPSAS 17.

Nous nous interrogeons néanmoins sur la portée de cet amendement, dans la mesure où les activités de location immobilière restent marginales dans le secteur public.

Ceci étant dit, nous nous interrogeons sur la proposition d'amendement de la norme IPSAS 2 en annexe de l'amendement à la norme IPSAS 17. En effet, selon cet amendement, il est proposé de présenter les flux de trésorerie provenant de l'acquisition et de la vente des actifs auparavant détenus pour la location et désormais destinés à être cédés en « flux de trésorerie provenant des activités opérationnelles » dans le tableau des flux de trésorerie. S'agissant de flux provenant d'actifs immobiliers, nous estimons qu'un classement en « activité d'investissement » aurait été plus approprié.

*IPSAS 25, “Employee Benefits”**Replacement of term “fall due”**Curtailments and negative past service cost**Plan administration costs**Guidance on contingent liabilities*

Nous sommes d'accord avec les propositions d'amendement de la norme IPSAS 25.

*IPSAS 26, “Impairment of Cash-Generating Assets”**Disclosure of estimates used to determine recoverable amount*

Nous sommes d'accord avec la proposition d'amendement.

Nous considérons en effet que l'information en annexe de la valeur recouvrable d'une unité génératrice de trésorerie (ou groupe d'unités) doit être équivalente, que cette valeur recouvrable de l'unité (du groupe d'unités) ait été fondée sur une valeur d'utilité ou sur une juste valeur diminuée des coûts de vente.

***Part II****IPSAS 1, “Presentation of Financial Statements”**Editorial changes*

Nous ne sommes pas d'accord avec cette proposition d'amendement, qui est liée à la rédaction actuelle de la norme IAS 39. Lors de notre réponse à l'ED 38 « *Financial Instruments : Recognition and Measurement* », nous vous avons fait part de notre opposition à transposer dans le référentiel de l'IPSAS Board la norme IAS 39.

Dans la mesure où la proposition d'amendement de la norme IPSAS 1 part du principe que les principes de comptabilisation et d'évaluation de l'exposé-sondage ED 38 seront transposés, nous ne pouvons être d'accord.

En revanche, nous estimons important que la rédaction de la norme IPSAS 1 clarifie que les actifs financiers détenus à des fins de transaction doivent en effet être présentés en actifs courants.

*IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”**Status of implementation guidance*

Nous sommes d'accord avec cette proposition d'amendement.

*IPSAS 6, “Consolidated and Separate Financial Statements”**Editorial changes*

Nous sommes d'accord avec cette proposition d'amendement.

*IPSAS 10, “Financial Reporting in Hyperinflationary Economies”**Editorial changes*

Nous sommes d’accord avec cette proposition d’amendement.

*IPSAS 14, “Events After the Reporting Date”**Dividends declared after the end of the reporting period*

Nous sommes d’accord avec cette proposition d’amendement.

*IPSAS 16, “Investment Property”**Consistency of terminology with IPSAS 3**Investment property held under lease*

Nous sommes d’accord avec ces deux propositions d’amendement.