INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

Comments on Exposure Draft:
Exposure Draft 45, Improvements to IPSASs 2011

SUBMISSIONS RECEIVED

OVERVIEW OF RESPONSES

1	Dr. Joseph S. Maresca (USA)	Other: Individual
2	Zambia Institute of Chartered Accountants	Member or Regional Body
3	The International Consortium on Governmental Financial Management (ICGFM) (Supranational)	Other
4	Accounting Standards Board (South Africa)	Standard Setter/Standards Advisory Body
5	Comptroller's Division of Manitoba (Canada)	Preparer
6	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	Standard Setter/Standards Advisory Body
7	Instituto de Censores Jurados de Cuentas de España (ICJCE) (Spain)	Member or Regional Body
8	Accountant General's Office (Uganda)	preparer
9	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Standard Setter/Standards Advisory Body
10	KPMG IFRG Limited (UK)	Accountancy Firm
11	Accounting Standards Board (UK)	Standard Setter/Standards Advisory Body
12	Denise Silva Ferreira Juvenal (Brazil)	Other: Individual
13	The Chartered Institute of Public Finance & Accountancy (CIPFA) (UK)	Member or Regional Body
14	Australian Accounting Standards Board (AASB) (Australia)	Standard Setter/Standards Advisory Body
15	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) (Australia)	Preparer

IPSASB of IFAC
Technical Director
277 Wellington St. 6th Floor
Toronto, Ontario M5V3H2 Canada
Stepheniefox@Ifac.org

Re: Exposure Draft 45 Improvement to IPSAS
Due 6- 30 - 2011

Comments By: Dr. Joseph S. Maresca CPA, CISA

Background
An entity that prepares and presents financial statements under the accrual basis shall apply this standard to primary financial statements including consolidated financial statements of any entity whose functional currency is that of a hyperinflation economy.

Critique:
Characteristics of the economic environment of a country which indicate the existence of hyperinflation include situations where:

(1) Consumers prefer to keep wealth in non-monetary assets or in a stable foreign currency. i.e. Jersey Pound
Amounts of local currency held are immediately invested to maintain purchasing power .
(2) Consumers regard monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.
(3) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power .
(4) Interest rates, wages, and prices may be linked to a price index .
(5) The cumulative inflation rate over the intermediate term 1-3 years approaches, or even exceeds, 100% or more.

Hyperinflation is high inflation or very high, rapid monetary inflation great enough to undermine a nation's economic stability. Hyperinflationary candidate countries at one time or another have included:

Zimbabwe
Democratic Republic of Congo
Ethiopia
Guinea
Sao Tome and Principe

There was severe hyperinflation in Zimbabwe while there was exchangeability with at least a relatively stable foreign currency like the British Pound . When exchangeability ceased , prices could not be set in the Zimbabwe currency and severe hyperinflation stopped. When there is no exchangeability , there can be
no severe hyperinflation .

Hyperinflation becomes visible when there is an unchecked increase in the money supply .
For instance, hyperinflation in Zimbabwe was accompanied by a widespread reluctance on the part of the local citizenry to hold the hyperinflationary money. The reluctance to hold was for more than the time needed to trade it for non-monetary assets to avoid further erosion of real value. Hyperinflation is often associated with currency meltdowns, social upheavals, or aggressive currency manipulation usually by insiders or speculators.

Changes to existing IPSAS documents include:
IPSAS 16 delete references to exchange of assets lacking commercial substance as investment properties.

IPSAS 17 Property, Plant and Equipment (PPE) delete references to exchanges of assets which lack commercial substance as a PPE.

IPSAS 19 - Contingent liabilities delete references to insurance entity and amend references to exclusion of financial instruments under IPSAS 29.

IPSAS 21 proposed amendments IPSAS 26.25 (e) indicator of impairment when the asset useful life is reassessed as finite versus infinite.

I concur.



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15th June 2011

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie,

Comments on IPSASB Exposure Draft 45: Improvements to IPSASs 2011

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Exposure Drafts issued by the International Public Sector Accounting Standards Board.

GENERAL COMMENTS

The institute appreciates the IPSASB's efforts to update the IPSASs for annual improvements; this positive move will lead to significant improvements in financial reporting by the public sector.

We agree with Exposure Draft 45, improvements which are proposed in this this ED (i.e. deletion of the Introduction section for those IPSASs which have an introduction section, inserting objective paragraphs in those IPSASs which do not currently have an objective paragraph and general improvements to four IPSASs) are appropriate and should be reflected in the IPSASs as proposed.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Musonda Boniface

Technical Officer



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June 22, 2011

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to ED 45 (Improvements to IPSAS 2011). We are pleased to see the IPSASB move forward in the effort to improve and clarify the IPSAS.

2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM welcomes a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this exposure draft is one from an international perspective.

3. We agree with the proposal to eliminate the Introduction sections and to insert Objective sections, where appropriate. We also support the general improvements proposed for the four IPSAS (16, 17, 19, and 21).

4. The following changes are suggested in response to Comment 1 (Are there amendments that the IPSASB needs to consider in future *Improvements to IPSASs* projects?):

a. **Cash Reporting IPSAS**. To provide for a smoother transition to the accrual IPSAS, we would like to see the cash statement broken out into the following categories: government activities, government business enterprises (GBE), and component units. Component units would be those units that are controlled entities requiring separate financial statements independent of other government activities. A consolidated whole-of-government cash statement would still be required. Separate reporting would permit the preparers to progressively implement the cash reporting standard for each category and would provide readers of the cash statement with better information on the liquidity of each category. We would prefer that this be a requirement in Part 1 but would accept it as an option in Part 2.
b. **Presentation of Financial Statements (IPSAS 1)**.
   i. Proposed breakout in #1 above should be carried forward to this IPSAS for each financial statement (i.e. Statement of Financial Position, Statement of Financial Performance, Cash Flow Statement, and Statement of Changes). This would provide the readers of each statement with better information on the efficiency of each category.
   ii. A new section should be added to require an Opening Statement of Financial Position (similar to IFRS 1). If a new section is not added, a separate IPSAS should be issued.
c. **Cash Flow Statement (IPSAS 2)**. Proposed breakout in #1 above should be carried forward to this IPSAS to identify the liquidity of each category.
d. **Consolidated Statement (IPSAS 6)**. The proposed breakout in #1 above should be consolidated into a whole-of-government report for each financial statement (i.e. Statement of Financial Position, Statement of Financial Performance, Cash Flow Statement, and Statement of Changes).
e. **Provisions (IPSAS 19)**. The standard should specifically state unliquidated obligations that are "more likely than not to become a liability" should be recognized as a provision. The measurement and certainty of most unliquidated obligations are easier to measure (with more certainty) than most lawsuits. Currently, unliquidated obligations are reflected as contingent liabilities.
f. **Employer Retirement Plans (IPSAS 25)**. There should be a standard on these retirement plans (similar to IAS 26) or they should be reflected as a separate section.
g. **Convergence with Statistical Reporting Systems.** There should be an ongoing process of convergence with statistical standards where feasible, e.g. on nomenclature and definitions. For example GBEs as defined in IPSAS are effectively the same as Public Corporations as defined in GFS 2001. It would be a simple change for both documents to use the same name and the same definition.

5. We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.851.0525.

Sincerely,



ICGFM Accounting Standards Committee
Jesse W. Hughes, Chair
Masud Mazaffar
Michael Parry
N. Tchelishvili
Andrew Wynne

Cc: Linda Feeling
President, ICGFM



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The Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street, 4th Floor

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Per e-mail

29 June 2011

Dear Stephenie,

COMMENT ON EXPOSURE DRAFT: ED 45 *IMPROVEMENTS TO IPSASs 2011*

We welcome the opportunity to provide comment on Exposure Draft 45 – *Improvements to IPSASs* issued by the International Federation of Accountants – International Public Sector Accounting Standards Board (IPSASB). Overall we are supportive of the project as we believe it will enhance and improve the principles set out in the IPSASs.

Enclosed please find our comment that is structured into specific matters and other matters.

Please do not hesitate to contact me should you wish to discuss any of our comment.

Yours sincerely

Erna Swart
Chief Executive Officer

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

SPECIFIC MATTERS FOR COMMENT

Are there amendments that the IPSASB needs to consider in future Improvements to IPSASs projects?

1. The International Accounting Standards Board (IASB) undertakes an annual revision of International Financial Reporting Standards (IFRSs) called Improvements to IFRSs. These improvements should also be considered by the IPSASB as part of its annual improvements to IPSASs. If the IPSASB agrees not to include certain improvements, it would be useful to explain the exclusion of such improvements in the exposure draft dealing with improvements to IPSASs. For example, the 2010 Improvements to IFRSs made amendments to IAS 1 *Presentation of Financial Statements* and IFRS 7 *Financial Instruments: Disclosures* which were not included in IPSAS 1 and IPSAS 30. The reason for not considering these improvements as part of the improvements to IPSASs were however not highlighted or explained in ED 45, which does question the reason why IPSAS 1 and IPSAS 30 are different to the IFRS equivalents.

2. Other minor improvements that could be considered are as follows:

IPSAS 1 *Presentation of Financial Statements*

Paragraph .117

Information to be presented either on the face of the statement of financial performance or in the notes

.....

.117 When an entity provides a dividend or similar distribution to its owners, it shall disclose, either on the face of the statement of financial performance or in the statement of changes in net assets or in the notes, the amount<u>s</u> of dividends or similar distribution~~,~~ recognised as distribution to owners during the period, and the related amount <u>of dividends</u> per share (where the entity has share capital).

IPSAS 9 *Revenue from Exchange Transactions*

Paragraph .12

Definitions

Revenue

12. Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity on its own account. Amounts collected as agent of the entity or on behalf of other third parties, for example, the collection of telephone and electricity payments by the post office on behalf of entities providing such services, are not economic benefits or service potential that flow to the entity and do not result in increases in assets or decreases in liabilities. Therefore, they are excluded from revenue. Similarly, in ~~a custodial or~~ <u>an</u> agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal and which do not result in increases in net assets for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.

IPSAS 13 *Leases*

Paragraphs .40 and .44

Leases in the financial statements of lessees

Finance leases

.40 Lessees shall disclose the following for finance leases:

……

(f) a general description of the lessee's material leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;

(ii) the existence and terms of renewal or purchase options and escalation clauses; and

(ii) restrictions imposed by lease arrangements, such as those concerning return of ~~net~~ surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing; and

…….

Operating leases

.44 Lessees shall disclose the following for operating leases:

……..

(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following:

(i) the basis on which contingent rent payable is determined;~~,~~

(ii) the existence and terms of renewal or purchase options and escalation clauses;~~,~~ and

(iii) restrictions imposed by lease arrangements, such as those concerning return of ~~net~~ surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.

OTHER MATTERS FOR COMMENT

Part 1

We support the deletion of the Introduction sections in the 21 IPSASs.

Part II

We support the inclusion of an objective paragraph in the 4 IPSASs.

Part III

IPSAS 17 *Property, Plant and Equipment*

A reference to IPSAS 26 should also be included in paragraph .22

Initial costs

.22 Items of property, plant and equipment may be required for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits or service potential of any particular existing

item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognised as an asset because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with IPSAS 21 *Impairment of Non-Cash-Generating Assets* or IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate.

IPSAS 21 *Impairment of Non-Cash-Generating Assets*

We support the proposed improvement to paragraph .27 but recommend that entities should be required to apply the proposed amendment prospectively.

Manitoba

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June 29th, 2011

Technical Director
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Dear Sir/Madam:

Re: Exposure Draft 45 – Improvements to IPSASs 2011

Thank you for the opportunity to comment on Exposure Draft 45 – Improvements to IPSASs 2011.

We agree with the general improvements to correct the inconsistencies between existing IPSASs. We are also in favour with any changes that allows for a consistent presentation between IPSAS. The introductions in existing IPSASs should be removed as they are non-authoritative and the key features are discussed in the Basis for Conclusion section. An objective section should be included in each IPSAS as the objective section explains the rationale for the standard.

We are presently not aware of other amendments that the IPSASB needs to consider in future *Improvements to IPSASs* projects.

We would like to again thank you for the opportunity to comment on this issue.

Yours truly,

Betty-Anne Pratt

Betty-Anne Pratt, CA
Provincial Comptroller
Province of Manitoba

Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

CNOCP
Conseil de normalisation des comptes publics

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Paris, 13th July 2011

Ms Stephenie Fox
Technical director
International Public Sector Accounting Standards Board
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277 Wellington Street, 4th floor
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Re : Proposed International Public Sector Accounting Standard
Exposure Draft 45 – Improvements to IPSASs 2011

Dear Ms Fox,

I am writing on behalf of the French "Conseil de normalisation des comptes publics" (CNOCP) [1] to express my views on the above-mentioned Exposure Draft [2].

We note the IPSAS Board objectives to propose:

- deletion of the Introduction section for those IPSASs which have an Introduction section (Part I);
- to insert Objective paragraphs in those IPSASs which do not currently have an Objective paragraph (Part II);
- general improvements to four IPSASs that relate to inconsistent references to standards, terminology and structure resulting from IPSASB's ongoing review of existing IPSASs (Part III).

The CNOCP is pleased to note the positive approach of the IPSASB that consists to review and improve the existing IPSASs. The Council has no significant comment on the proposed amendments.

1 See Appendix 1
2 See the French original version in Appendix 3

MINISTÈRE DU BUDGET
DES COMPTES PUBLICS
ET DE LA RÉFORME DE L'ÉTAT

CNOCP
Conseil de normalisation
des comptes publics

Our detailed comments are set out in the Appendix 2.

The CNOCP did not identify at this stage amendments that the IPSAS Board needs to consider in future Improvements to IPSASs projects.

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

Yours sincerely,

Michel Prada

APPENDIX 1

CONSEIL DE NORMALISATION DES COMPTES PUBLICS (CNOCP)

1. Establishment of the "Conseil de normalisation des comptes publics" as Public Sector Accounting Standards Council and jurisdiction.

The Public Sector Accounting Standards Council was established by a Budget Amendment on the 30th December 2008 and supersedes the Public Accounting Standards Committee.

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

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 develop consistent accounting standards for the whole of French Public Administrations.

2. Organisation of the "Conseil de normalisation des comptes publics".

The Council 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 standards on a national and international level. All this information is available to the public.

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

CNOCP
Conseil de normalisation des comptes publics

APPENDIX 2

Comments on individual amendments

Part I: Deletion of Introduction Paragraphs

The 'Conseil de normalisation des comptes publics' (CNOCP) agrees with the amendments proposed in the Part I of the Exposure Draft 45.

Nota Bene:

Concerning the IPSAS 12, « Inventories », the paragraphs to delete are the **IN1-IN14** paragraphs and not the IN1-IN13 paragraphs as mentioned page 9.

Part II: Insertion of Objective Paragraph

The CNOCP agrees with the amendments proposed in the Part II of the Exposure Draft 45.

Part III: General Improvements

IPSAS 16, "Investment Property"

The CNOCP agrees with this amendment. The treatment of investment properties acquired through a non-exchange transaction is set out in paragraph 27 of the Standard.

Nota Bene:

We note nevertheless that amendment is proposed for the IN10 of the Introduction paragraph as this paragraph is proposed to be deleted (cf. Part I of ED45, page 9).

CNOCP
Conseil de normalisation des comptes publics

IPSAS 17, "Property, Plant and Equipment"

The CNOCP agrees with these amendments. The treatment of investment properties acquired through a non-exchange transaction is set out in paragraph 27 of the Standard. Moreover, the reference to IPSAS 26, "Impairment of Cash-Generating Assets" is appropriate. At last the deletion of the final sentence in paragraph 83 is justified because of the wider definition of revenue in the IPSASs compared to the IASs.

Nota Bene:

We note nevertheless that an amendment is proposed for the IN5 & IN9 of the Introduction paragraph as this paragraph is proposed to be deleted (cf. Part I of ED45, page 9).

IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets"

The CNOCP agrees with the proposed amendment.

IPSAS 21, "Impairment of Non-Cash-Generating Assets"

The CNOCP agrees with the proposed amendment.

Nota Bene:

We note that the "long-term" condition is introduced in the paragraph 27(d) of the Standard for "significant changes". This condition is not mentioned in the paragraph 25(e) of IPSAS 26, "Impairment of Cash-Generating Assets".

CNOCP
Conseil de normalisation des comptes publics

APPENDIX 3

Here is the French original version of our response to the ED 45

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) [3] sur l'exposé sondage mentionné ci-dessus.

Les objectifs de l'IPSAS Board sont de proposer :

- l'homogénéisation de forme et de fond visant à supprimer le paragraphe « Introduction » pour les normes concernées (Partie I) ;
- l'harmonisation de forme induisant l'insertion systématique d'un paragraphe « Objectif » quand les normes n'en présentent pas (Partie II) ;
- l'amélioration de quatre normes IPSAS afin de corriger des références incompatibles, la terminologie et la structure dans le cadre de la revue continue des normes IPSAS existantes (Part III).

Le CNOCP apprécie la démarche positive de l'IPSAS Board qui consiste à revoir et à améliorer de façon continue le référentiel existant. Le Conseil n'a pas de remarque particulière sur les modifications proposées.

Nos commentaires détaillés sont présentés en annexe 2.

Par ailleurs, le CNOCP n'a pas identifié à ce stade d'amendements que l'IPSAS Board devrait examiner dans le prochain projet d'amélioration des normes IPSAS.

[3] 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.

CNOCP
Conseil de normalisation des comptes publics

ANNEXE 2

COMMENTAIRES SUR LES AMENDEMENTS PROPOSES

Partie I : Suppression du paragraphe « Introduction »

Le Conseil de normalisation des comptes publics (CNOCP) est d'accord avec la proposition d'amendements figurant en Partie I de l'exposé sondage ED45.

Nota Bene:

Concernant la norme IPSAS 12, « Stocks », les numéros des paragraphes à supprimer sont **IN1-IN14** et non IN1-IN13. Le paragraphe IN14 n'a pas été indiqué en page 9.

Partie II : Insertion du paragraphe « Objectif »

Le CNOCP est d'accord avec la proposition d'amendements figurant en Partie II de l'exposé sondage ED45.

Part III : Améliorations des normes / corrections éditoriales des normes

IPSAS 16, "Immeubles de placement "

Le Conseil est d'accord avec cet amendement. Les règles de comptabilisation initiale des immeubles de placement acquis par le biais d'une transaction sans contrepartie directe sont déjà énoncées au paragraphe 27 de la norme.

Nota Bene:

Le Conseil note cependant que des propositions de modifications sont faites pour le paragraphe « Introduction » alors que celui-ci est destiné à être supprimé (cf. Partie I de l'exposé sondage ED45).

CNOCP
Conseil de normalisation des comptes publics

IPSAS 17, "Immobilisations corporelles"

Le CNOCP est d'accord avec cet amendement.

Les règles de comptabilisation initiale des immobilisations corporelles acquises par le biais d'une transaction sans contrepartie directe sont déjà énoncées au paragraphe 27 de la norme. De plus, la référence à la norme IPSAS 26, "Dépréciation des actifs générateurs de trésorerie" est appropriée. Enfin la suppression de la dernière phrase du paragraphe 83 est justifiée, la définition de « Revenue » étant plus large dans le référentiel de l'IPSAS Board que dans celui de l'IAS Board.

Nota Bene:

Le Conseil note cependant que des propositions de modifications sont faites pour le paragraphe « Introduction » alors que celui-ci est destiné à être supprimé (cf. Partie I de l'exposé sondage ED45).

IPSAS 19, "Provisions, passifs éventuels et actifs éventuels"

Le CNOCP est d'accord avec la proposition d'amendement.

IPSAS 21, "Dépréciation des actifs non générateurs de trésorerie"

Le CNOCP est d'accord avec la proposition d'amendement.

Nota Bene:

En ce qui concerne le premier indice de perte de valeur évoqué dans IPSAS 21 au paragraphe 27 (d) et qui consiste à identifier les changements significatifs de « long terme » ayant un effet néfaste sur l'entité, il est à noter que les termes « long terme » ont été ajoutés alors qu'ils ne figurent pas dans la norme IPSAS 26 au paragraphe 25(e).

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

Corporación de Derecho Público.

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Email to: EDComments@ifac.org, StephenieFox@ifac.org

Re: Exposure Draft 45 Improvements to IPSASs 2011

Madrid, June 30, 2011

Dear Ms Fox,

ICJCE (Instituto de Censores Jurados de Cuentas de España) is pleased to comment on this Exposure Draft.

As members of FEE (Federation of European Accountants), we have been involved in the preparation of the Comment Letter of this organization to the above referred Exposure Paper, and, in general terms, we agree with its comments.

Nonetheless, we would like to emphasize the following matters which we consider of particular importance in our jurisdiction:

1.6-Scope of the paper: our humble opinion is that the description of the items that the paper discusses is lagging some areas that we consider very relevant and that should be included/referred in this paper. Moreover, as other elements included in the paper, they are subject of different IPSAS standards, namely:

- Presentation of financial statements in the public sector (IPSAS 1)
- Cash flow information (IPSAS 2). This could be referred either in the part referring to the financial statements or in the one referring to the Budget information, or in both.
- Information of public sector investments in associates and joint ventures, also related to investment reporting (IPSAS 7, 8 and 16)
- Disclosure of financial and non-financial information about the General Government sector (IPSAS 22). We consider this point of utmost importance and some reference should be made in the paper. Indeed, public services (and this related to point 2-Significance of non-exchange transactions) cannot be understood by the users of the information (Parliament, citizens, managers...) if

there is not complete information (financial and performance information) on the services rendered. On this point the disclosure of information annexed to the financial statements is critical, to our view, and some references in the text should be further included.

- Intangible assets (IPSAS 31). This part is also very relevant, and could be also included or referred explicitly in the paper. As part of this section some references could be made to the research activities financed by public sector that are becoming year by year a very important share of governments' budgets.

2.3. List of information that public users may need: we believe that the list included in this point should be part of the introduction, although some point may be left under this part.

2.4 and following: Taxation and other non-exchange transactions: reference to subsidies to public companies may be relevant under this part.

4. The nature of Property, Plant and Equipment: also here, a reference to intangible assets, and other kind of public resources (resources devoted to research) may be mentioned.

9-Statistical bases of Accounting: The heading for this part could already make reference on what is said later, meaning that the IPSAS and the statistical bases for reporting financial information have different objectives.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,



Leticia Iglesias
CEO

GOU/AGO Comments on Exposure Draft 45

The Republic of Uganda
Ministry of Finance, Planning and Economic Development
Comments from the Accountant General's Office

29th June 2011

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD: COMMENTS ON EXPOSURE DRAFT 45

Improvements to IPSASs 2011

The IPSASB Exposure draft (ED) 45 covers three key objectives namely: proposed deletion of introduction section for those IPSASs which have an Introduction section (IPSASs 21 to 31); propose an insertion of objective paragraphs in those IPSASs which do not currently have an objective paragraph (IPSASs 6, 7, 8 and 10) and propose general improvements to four IPSASs that relate to inconsistent references to standards, terminology and structure resulting from IPSASB's ongoing review of existing IPSASs (IPSASs 16, 17, 19 and 21).

The Accountant General's Office has reviewed the proposals under the Exposure Draft 45 and has made the following comments:

Ref as per ED 45	Observation/ Rationale	Suggestion
Page 5 – Part I:Deletion of Introduction Paragraphs	Supports the proposal	Any relevant information on applicability of a given Standard should always be included in the Scope.
Page 5 – Part II: Insertion of Objective Paragraph	Supports the proposal	
Page 14 - Title of IPSAS 10	Noted that the title only addresses the hyperinflationary periods and yet there is provision for the accounting treatment for the period after the hyperinflation (see last sentence of the objective per exposure draft and paragraph 35 of the Standard).	The title for IPSAS 10 as "*Financial Reporting in Hyperinflationary Economies and after cessation of hyperinflation*".
Page 14 - Objective of IPSAS 10	Noted unnecessary repetition of the phrase "accounting" in the objective below: The objective of this standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity in accounting for an entity whose functional currency is the currency of a hyperinflationary economy.	The objective of this Standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity whose functional currency is the currency of a hyperinflationary economy.
	Whereas the standard provides for the treatment after hyperinflationary period (see extract below), there is no specific provision	Other than presuming the opposite of conditions mentioned under paragraph 5, the IPSASB could consider specifying the

	as to how to determine when the hyperinflation has ceased.	indicators of the economy having ceased to be hyperinflationary. There is need for the Standard to provide for the appropriate treatment if the hyperinflation ends in the middle of the accounting period.
Part III – General Improvements on IPSAS 16: Investment Property		Standard should include as Investment Property, Infrastructure and other administrative public resources run on a pay-per-use basis. Under this arrangement a nominal fee is paid on a usage basis. However, for a property to qualify as Investment Property under this arrangement, the fee paid should be towards recovery of either part or all of the property construction costs and not the following purposes: *a.* Accumulation of a property pool reserve fund. *b.* Repair and maintenance of the property. *c.* Servicing of a Government Debt/Borrowing Interest not directly related to this property. *d.* Tax revenue for budgetary funding
Part III – General improvements on IPSAS 17: Property, Plant and Equipment		The standard should be extended to cover non-regenerative resources and /or rights to those resources, provided that such resources can be reliably quantified and/or measured. Example : *Mineral rights, the exploration for and extraction of minerals, oil, natural gas .* Exclude pay-per-use property recognised under IPSAS 16 – Investment Property; Extend meaning of Road Network infrastructure to include Road Drainage System, Road Lighting, Road Signs and Maintained Vegatation, which are not included in the Local Authorities Balance Sheet as Assets (*Para 21)*. Since these auxilliary assets will have a useful life different from that of the underlying asset (the road network), they should be recognized as separate assets (*37 of the*

		Standard).
Part III – General improvements on Standard 21: <u>Impairment of Non – Cash Generating Assets</u>	The objective does refer to Inventories (IPSAS 12) but does not include inventories that have been impaired, and have now been considered for conversion from Non – Cash Generating Assets to Cash Generating assets. Income will be generated from such assets for a foreseeable future. This is because some inventories or plant and equipment get converted to income generating activities after a while and a significant amount of income is obtainable for the foreseeable future. For example an area that has been completely been depleted of its minerals may be converted into a nature trail that does attract tourism. Environment Preservation should be considered.	Amendment of paragraph 27 should include a clause which caters for inventory that has been converted from Non Cash Asset to Cash Asset. Inventory that has been converted from Non-Cash Generating Assets to Cash Generating Assets should be measured at their fair value at the time of completion of the conversion process.

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee

Stephenie Fox
Technical Director
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Lausanne, June 27, 2011

Swiss Comments to
ED 45: *Improvements to IPSASs 2011*

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 45: *Improvements to IPSASs 2011*.

We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to ED 45 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 45

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
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Swiss Public Sector Financial Reporting Advisory Committee

Swiss Comments to

ED 45: *Improvements to IPSASs 2011*

Table of Content Page

1. Introduction 1

2. Comments to Exposure Draft 45 *Improvements to IPSASs 2011* 1

2.1. Part I: Deletion of Introduction 1

2.2. Part II: Insertion of objective paragraph 1

2.3. Part III: General Improvements 1

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) has discussed ED 45 *Improvements to IPSASs 2011* 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 45 *Improvements to IPSASs 2011*

2.1. Part I: Deletion of Introduction

In the drafts the Introduction paragraphs are useful and informative, but in the final standard they can be omitted: the SRS-CSPCP agrees with the deletions.

2.2. Part II: Insertion of objective paragraph

The insertion of the missing objective paragraphs in the four standards makes sense, so that in all the standards the objective is clearly stated: the SRS-CSPCP agrees with the insertions.

2.3. Part III: General Improvements

The Exposure Draft does not clearly state why the improvements have been made. Are they based on updates to IFRS or do they concern peculiarities of the public sector? What is the thinking behind them? Without this information it was difficult to assess the improvements. For future improvements the corresponding background information should therefore be included in the Exposure Draft to facilitate assessment.

Standard 16, Investment Property

The SRS-CSPCP agrees with the improvements to this standard.

Standard 17, Property, Plant, and Equipment

The insertion with IPSAS 26 for the realisation of the impairment gave rise to a controversial discussion in the SRS-CSPCP, because in IPSAS 17 fixed assets, whose main purpose is not to generate a return, are covered. In special cases uncertainties could arise as to when and which valuation method is applicable.

Otherwise we agree with the improvements to the standard.

Standard 19, Provisions Contingent Liabilities and Contingent Assets

The insertion of the example under Item IG 14 with IPSAS 29 gave rise to controversial discussion in the SRS-CSPCP. The question arises whether in the public sector there could not also be financial guarantees that would not fall under IPSAS 29. In this connection therefore the sector specific aspects should once again be reviewed.

Otherwise we agree with the improvements to the standard.

Standard 21, Impairment of Non-Cash-Generating Assets

The SRS-CSPCP agrees with the improvements to this standard.

Lausanne, June 27, 2011

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Your ref Improvements to IPSASs 2011 ED 45
Our ref 110605 draft letter to Ms Stephanie Fox
Contact Mary B Tokar (+44 20 76948288)
Archie G Johnston (+1 604 527 3757)

22 July 2011

Dear Ms. Fox

Improvements to IPSASs 2011

Summary comments

We appreciate the opportunity to respond to the International Public Sector Accounting Standards Board's ('IPSASB' or the 'Board') Exposure Draft ('ED') entitled *Improvements to IPSASs 2011*, dated March 2011. We have consulted within the KPMG network in respect of this letter, which represents the views of the KPMG network.

We recognize the need for a regular review of International Public Sector Accounting Standards ('IPSASs') and support the concept of an annual improvements project. We note that the 2011 annual improvements are not based on the latest annual improvements to International Financial Reporting Standards ('IFRSs') introduced by the International Accounting Standards Board ('IASB'), unlike the annual improvements made in previous years. Whilst automatic copying of IASB exercises is not needed, this does mean there is a risk that IFRSs and IPSASs will diverge.

While supportive of the annual improvements, we have considered the specific matter for comments in the ED and have some comments on specific issues addressed in the ED. These follow below:

Specific Matter for Comments

You ask whether there are *"amendments that the IPSASB needs to consider in future Improvements to IPSASs projects."* We have not identified specific amendments. However, we would request the IPSASB to review the methodology of such exercises.

In particular we note that, in the past, the IPSASB's Improvements project has been based on the previous year's project of the IASB – in other words the IPSAS have been lagging behind their IFRS equivalents by a year. We would therefore ask whether there is scope for IPSASB and IASB Technical Staff to work together to identify and present items for improvements concurrently, so that IPSAS updates are more timely.

Specific matters for comment

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KPMG

KPMG IFRG Limited
Improvements to IPSASs 2011

22 July 2011

Following our review of the proposals, we would like to make the following specific comments:

Part I: Deletion of Introduction Paragraphs

We fully concur with the IPSASB that the IPSASs should be presented consistently. Moreover, the IPSASB is correct in stating that the contents of the Introduction Paragraphs (summary of rationale for and contents of the standard; key features of the standard; significant changes from previous requirements) are already stated elsewhere in each standard.

However, we disagree with the proposal to delete the Introduction Paragraphs. It is useful to users of the standards to have this information in a single place, where it can be easily read. The standards are long and it is not always easy to find the information required. Moreover, whilst it is correct that "Introductions are non-authoritative and users should refer to the detailed requirements of the Standard", this does not mean that Introductions lack value. Without an introductory summary, users may find it more difficult to identify the existence of important issues in a Standard or understand the context of the changes proposed in updated standards.

IFRSs have introductions and we and other users find these helpful. It seems inconsistent to remove them from IPSASs.

We therefore recommend that this Part be revised.

1 Rather than delete the introductions from the 21 IPSASs that have them, they should be added to the 10 IPSASs that lack them.
2 A standard format should be developed for the introductions and existing introductions should be amended where necessary.

Part II: Insertion of Objective Paragraphs

We fully support the IPSASB's intention of adding these paragraphs, which will assist preparers and users of IPSASs. We have the following comments concerning two of the specific proposals:

- IPSAS 6**,** *Consolidated and Separate Financial Statements* – This should be amended to include separate as well as consolidated financial statements. The following suggested draft is based on paragraph IN4 of the Introduction to IAS 27, *Consolidated and Separate Financial Statements* (i.e. the 2008 standard **before** it was amended earlier this year):

  > The objective of this Standard is to enhance the relevance, reliability and comparability of the information that a controlling entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. This Standard also prescribes the accounting requirements for controlled entities, jointly controlled entities, and associates when an entity presents separate financial statements.

- IPSAS 7**,** *Investments in Associates* – This should be amended to include recognition of investments in associates, which is an important part of the standard. We suggest the following draft (additions and changes highlighted):

> The objective of this Standard is to prescribe the recognition by an investor of an investment in an associate and the accounting treatment ~~for~~ by an investor in accounting for such investments ~~in associates~~ in its consolidated financial statements and separate financial statements (where prepared).

Part **III: General Improvements:**

We disagree with the proposal to delete the references in IPSAS 16 and 17 to exchanges of assets which lack commercial substance.

We note the reference to non-exchange transactions in paragraph 27 of each Standard. However, paragraphs 8-10 of IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, makes it clear that non-exchange transactions are defined as transactions which do **not** involve exchanges of approximately equal value. We also note that there is diversity in practice in how exchange and non-exchange transactions are determined. Accordingly we consider there is a risk that some transactions may not be caught under either IPSAS 16 or 17, on the one hand, or IPSAS 23, on the other.

In addition, some transactions executed by public sector entities involve exchanges of assets with approximately equal value which result in little or no change in the economic status of either entity (i.e. they lack commercial substance as defined in IPSAS 16 or 17 as there is no change in the configuration risk of the associated cashflows, nor in the entity specific values). Two examples are:

1 Exchanges of parcels of land between an urban public sector agency and a developer, enabling the agency to obtain land in a blighted area in order to redevelop it; or

2 Exchanges of artefacts between museums.

In our opinion, these types of transactions lack commercial substance but do not meet the definition of a non-exchange transaction as specified in paragraph 27 of IPSAS 16 and 17 and in IPSAS 23 and, therefore, deleting these references in IPSAS 16 and 17 would leave no clear guidance as to how these transactions should be accounted for. We therefore recommend that these references are not deleted.

Apart from that, the changes in Part III seem reasonable and we are happy to support them. We have one comment on details, as follows.

- IPSAS 19: The new paragraph 1(d) would exclude from the scope of the standard "Insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts". This replaces the exclusion "Those [provisions, contingent liabilities and contingent assets] arising in insurance entities from contracts with policyholders".

  This change follows IFRS, where IAS 37 excludes "insurance contracts (see IFRS 4 *Insurance Contracts*)"; however, there is a significant difference in that IFRS refers to the international standard set by the IASB, whilst this ED includes national standards. There is therefore a risk that practical application will vary significantly from one country to another.

Whilst recognizing that the proposed draft is an ideal to aim at, we therefore suggest that this change be deferred until there is an IPSAS on Insurance Contracts.

KPMG appreciates the opportunity to respond to this Exposure Draft. Please contact Archie Johnston at +1 604 527-3757, Peter Greenwood at +1 604 691 3187, Mark Jerome at +856 20 7808 3399 or Mary Tokar at +44 207 694 8871 if you wish to discuss any of the issues in this letter.

Yours sincerely

KPMG IFRG Limited

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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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7 July 2011

Dear Stephenie

Re: Exposure Draft 45 *Improvements to IPSASs 2011*

1. I am writing to set out the views of staff of the ASB in response to the above Exposure Draft (ED). The comments expressed in this letter have not been discussed by the ASB.

   Objective and Introduction paragraphs

2. We agree with the insertion of Objective paragraphs in IPSAS 6 *Consolidated and Separate Financial Statements*, IPSAS 7 *Investments in Associates*, IPSAS 8 *Interests in Joint Ventures* and IPSAS 10 *Financial Reporting in Hyperinflationary Economies*.

3. We further agree with the deletion of the Introduction Paragraphs from the standards outlined in the ED, but only if the addition of the objective paragraphs (see above) proceeds. On an editorial matter, we note that the relevant paragraphs in IPSAS 12 *Inventories* are IN1-IN14 and not IN1-IN13 as indicated in the ED.

   Transactions that lack commercial substance

4. We disagree with the removal of the reference to exchange transactions that lack commercial substance in IPSAS 16 *Investment Property* and IPSAS 17 *Property, Plant, and Equipment*. Removing this reference may result in entities that carry assets at cost who decide to swap 'like' assets having to revalue those assets and report a gain although in substance nothing has changed regarding their cash flows and/or service potential.

5. We note that this would be a departure from IFRS requirements in IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property* for no convincing reason. In our view, it is not relevant that the standards contain requirements for non-exchange transactions. Exchanges which lack commercial substance are not non-exchange transactions – rather they are not treated as transactions at all.

6. We also do not consider that the rationale provided in ED 45 that 'The equivalent paragraphs in IPSAS 31, *Intangible Assets* were omitted when IPSAS 31 was developed' to be a persuasive argument to make this amendment because we note that IAS 38 *Intangible Assets* also makes reference to transactions which lack commercial substance in the same way as IAS 16 and IAS 40.

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7. In contrast, we consider the IASB's Basis for Conclusions paragraph BC 18 to IAS 16 does provide compelling arguments why exchange transactions without commercial substance should not be measured at fair value. These are as follows:

    a. gains should not be recognised on exchanges of assets unless the exchanges represent the culmination of an earnings process;

    b. exchanges of assets of a similar nature and value are not a substantive event warranting the recognition of gains; and

    c. requiring or permitting the recognition of gains from such exchanges enables entities to 'manufacture' gains by attributing inflated values to the assets exchanged, if the assets do not have observable market prices in active markets.

Use of the term 'revenue'

8. We further disagree with the deletion of the final sentence in paragraph 83 of IPSAS 17. Whilst we aware that IPSASs use the term 'revenue' in a broader sense than the IASB, we commented in our response to the Consultation Paper on *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements* that 'revenue' is commonly used to refer to inflows from ordinary activities (as by the IASB).

9. Because the IPSAS definition of revenue refers to 'gross' inflows, we consider that deletion of this sentence may result in the gross amount received on the sale of an asset being recognised in revenue, which is essentially the amount which reflects the 'turnover' or 'sales' in the private sector. We consider this could be misleading for users of the accounts as these may not be part of the operations of the entity and therefore they should not be portrayed as such.

10. If the amendment were to proceed, consequential amendments to IAS 1*Presentation of Financial Statements* (including perhaps the examples) would be desirable to ensure consistency of the treatments adopted in practice.

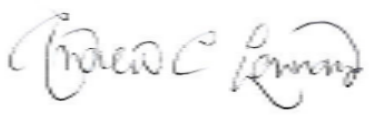
Other proposed amendments

11. Finally, we agree with the remaining amendments made to IPSAS 17, IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, and IPSAS 21 *Impairment of Non-Cash-Generating Assets*.

****

12. If you require any further information please contact me or Joanna Spencer (j.spencer@frc-asb.org.uk or telephone +44 (0) 20 7492 2428).

Yours sincerely



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Sir

Chair and Steering Committee

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30 June 2011

Improvements to IPSASs 2011

I´m Denise Juvenal this is pleased to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS for improvements.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. The Specific Matter for Comment requested in the Exposure Draft is provided below.

Specific Matter for Comment 1

Are there amendments that the IPSASB needs to consider in future Improvements to IPSASs projects?

I agree with this proposal that in relation the amendments that the IPSASB needs to consider in future, I think that in this case is very important included every modifications with high quality of analysis of procedures and the observation with

clearly and transparency included the possible impacts for public audit for entities in your application. But, I observed that if IFAC – IPSAS will be make what for more practice for control, I don´t know if is possible because the considerations for IPSAS is complexity.

Thank you for opportunity for comments this proposals, if you have questions don´t hesitate contact to me, rio1042370@terra.com.br.

Yours Sincerily,

Denise Silva Ferreira Juvenal
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552193493961

CIPFA The Chartered Institute of Public Finance & Accountancy

Exposure Draft 45, Improvements to IPSASs 2011

response to exposure draft

30 June 2011

the people in public finance

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/110630 SC0164

Stephenie Fox
Technical Director
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Submitted electronically
30 June 2010

Dear Stephenie Fox

Exposure Draft 45, Improvements to IPSASs 2011

CIPFA is pleased to present its comments on this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

CIPFA welcomes the IPSASB's work on maintaining its standards, whether IFRS converged or public sector specific.

We agree with the proposals in Parts I, II and III of the ED.

For completeness we would note that we are content with the proposed redrafts to IN paragraphs. We agree that these will not be needed if the Introductions are deleted as proposed in Part I.

We note that the IPSASB has a project to update IPSASs 6-8 as part of its maintenance programme for IPSASs. This will among other matters consider issues raised by the IASB's recently issued or revised IAS 27-28 and IFRS 10-12. The revised IASB standards include objectives which are clearer and better aligned with IASB terminology used in more recently updated standards, and similar drafting changes to the objectives of IPSAS 6-8 may be appropriate as part of the IPSASB project. More minor drafting comments on the objectives of IPSAS 7 and IPSAS 8 are attached as an Annex.

Specific Matters for Comment

Specific Matter for Comment 1: Are there amendments that the IPSASB needs to consider in future Improvements to IPSASs projects?

We have not identified any such amendments at this stage

I hope this is a helpful contribution to the development of the Board's guidance in this area.

Yours sincerely
Paul Mason
Assistant Director
CIPFA
3 Robert Street, London WC2N 6RL

ANNEX A

DRAFTING COMMENTS

Objective for IPSAS 7

The ED proposes:

The objective of this Standard is to prescribe the accounting treatment for an investor in accounting for investments in associates in its consolidated financial statements and separate financial statements (where prepared).

The sub-sentence "the accounting treatment for an investor in accounting for investments" is duplicative, and may also give the incorrect impression that the 'investor' is a person rather than an entity.

A clearer explanation would be

The objective of this Standard is to prescribe, for an entity which is an investor, the accounting treatment for investments in associates in its consolidated financial statements and separate financial statements (where prepared).

Objective for IPSAS 8

The ED proposes:

The objective of this Standard is to prescribe the accounting treatment for a venturer in accounting for interests in joint ventures in its consolidated financial statements and separate financial statements (where prepared).

The sub-sentence "the accounting treatment for a venturer in accounting for interests in joint ventures" is duplicative, and may also give the incorrect impression that the 'venturer' is a person rather than an entity.

A clearer explanation would be

The objective of this Standard is to prescribe, for an entity which is a venturer, the accounting treatment for interests in joint ventures in its consolidated financial statements and separate financial statements (where prepared)



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27 June 2011

Ms Stephenie Fox
Technical Director
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277 Wellington Street West
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CANADA

Dear Stephenie

IPSASB Exposure Draft 45 *Improvements to IPSASs 2011*

The Australian Accounting Standards Board (AASB) is pleased to submit its comments on the above-named Exposure Draft.

The AASB is particularly concerned about the proposal to remove references to 'exchanges of assets which lack commercial substance' and the related guidance from IPSAS 16 *Investment Properties* and IPSAS 17 *Property Plant and Equipment*. The rationale given seems to imply that exchange transactions which lack commercial substance are non-exchange transactions.

The AASB notes that it is not necessarily the case that 'exchanges of assets which lack commercial substance' are non-exchange transactions, and there is no public sector specific reason to make such a presumption. In support of this view, the AASB also notes that the IASB's rationale for including requirements relating to exchanges that lack commercial substance, provided in paragraph BC18 of IAS 16 *Property Plant and Equipment*, is relevant in a public sector context. The IASB's rationale can be summarised as follows:

- gains should not be recognised on exchanges of assets unless the exchanges represent the culmination of an earning process;
- exchanges of assets of a similar nature and value are not a substantive event warranting the recognition of gains; and
- requiring or permitting the recognition of gains from such exchanges would inappropriately enable entities to 'manufacture' gains by attributing inflated values to the assets exchanged, if the assets do not have observable market prices in active markets.

Accordingly, the AASB recommends that the IPSASB retains the references to exchange transactions that lack commercial substance and the related 'commercial substance' test.

However, the AASB acknowledges that the IPSAS 16 and IPSAS 17 references to 'exchange transactions' in the context of the discussion about exchanges of assets that lack commercial substance, relative to the references to 'non-exchange transactions' elsewhere in those IPSASs, has the potential to be unclear. The AASB thinks this lack of clarity could be resolved by IPSASB clarifying or re-expressing the references to 'exchange transactions' or 'non-exchange transactions' when used in the context of exchanges of assets that lack commercial substance. For example, consideration could be given to the phrase 'a transaction involving the swapping of an item of property, plant and equipment for a non-monetary asset that lacks commercial substance'.

The AASB would also like to bring to IPSASB's attention the work of the AASB in relation to the IASB's ED/2010/6 *Revenue from Contracts with Customers*. The AASB is developing proposals for accounting for income of not-for-profit entities based on the proposals in IASB ED/2010/6 (as modified for subsequent IASB decisions in its redeliberations of that ED), modified where necessary for not-for-profit specific issues. The AASB's tentative conclusion is that the IASB's revenue recognition model should only need limited modification. A key decision of the AASB is that the accounting for transactions involving income of Not-for-Profit entities should be determined by considering which financial statement elements arise, without being concerned with whether the transactions are 'exchange' or 'non-exchange' or combination of both.

If further information or clarification is required regarding any matters in this submission, please contact Shu In Oei, Project Manager (e-mail: soei@aasb.gov.au).

Yours sincerely,



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CANADA

Dear Sir/Madam

Exposure Draft 45 *Improvements to IPSASs 2011*

The Australian Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on Exposure Draft 45 *Improvements to IPSASs 2011*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC supports all proposals in this exposure draft, except for the proposed amendments to IPSAS 16 *Investment Property* and IPSAS 17 *Property, Plant and Equipment* regarding exchanges of assets that lack commercial substance. Attachment A to this letter explains HoTARAC's concerns in this respect.

Any queries regarding HoTARAC's concerns on this exposure draft should be directed to Ms Sue Highland from Queensland Treasury on +61 7 3405 6064 or email to sue.highland@treasury.qld.gov.au.

Yours sincerely

Grant Hehir
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

27 June 2011

Victoria
The Place To Be

HoTARAC RESPONSE TO IPSASB ED 45 *IMPROVEMENTS TO IPSASs 2011*

HoTARAC supports the IPSASB's proposed amendments as outlined in Parts I and II of ED 45.

Except for the issue described below, HoTARAC supports the remaining proposals outlined in Part III of ED 45.

Proposed deletions from IPSAS 16 *Investment Property* and IPSAS 17 *Property, Plant and Equipment* regarding exchanges of assets that lack commercial substance

HoTARAC does not support –

- for IPSAS 16 - the proposed deletions affecting paragraphs 36 and 37, and consequential new paragraphs 101B and in the "Comparison with IAS 40" section; and
- for IPSAS 17 - the proposed deletions affecting paragraphs 38 and 39, the consequential new paragraph for the "Comparison with IAS 16" section, and associated references in the proposed new paragraph 107C.

(HoTARAC notes that the IPSASB also proposes deletion of paragraph IN10 of IPSAS 16, and paragraphs IN5 and IN9 of IPSAS 17. Consistent with HoTARAC's views on Part I of ED 45, HoTARAC supports the deletion of these introductory paragraphs from IPSAS 16 and IPSAS 17).

The proposed new paragraphs for the Comparison with IAS pages in IPSAS 16 and IPSAS 17 inappropriately imply that "exchange transactions lacking commercial substance" and "non-exchange transactions" relate to the same type of transactions.

Paragraph 37 of IPSAS 16 describes the circumstances in which an exchange transaction would have commercial substance. If a transaction does not meet any of those circumstances, it is reasonable to conclude the transaction lacks commercial substance. However, a transaction lacking commercial substance does not equate to a "non-exchange transaction" as defined in paragraph 11 of IPSAS 9 *Revenue from Exchange Transactions*.

The following examples illustrate situations where an exchange transaction lacks commercial substance and a non-exchange transaction has commercial substance.

Example 1

Department A and Department B swap similar motor vehicles of equivalent value (i.e. an exchange transaction). However, as each department uses the motor vehicles for similar purposes, the configuration of each department's cash flows and "value" of the related operations are not materially impacted.

In terms of the explanation of "commercial substance", this exchange transaction (in the context of exchange vs non-exchange transactions as defined in IPSAS 9) lacks commercial substance.

Example 2

Department A receives a parcel of land from Department B for no consideration (i.e. through a non-exchange transaction). Due to the increased service potential now available to Department A, the risk, timing and amount of its cash flows is significantly increased. In terms of the explanation of "commercial substance", this non-exchange transaction has commercial substance.

Consequently, as IPSASs need to cater for a wide range of public sector transactions entered into by various types of public sector entities globally, HoTARAC strongly recommends that the IPSASB does not proceed with those amendments (identified earlier in this attachment) that are not supported by HoTARAC.

In addition to the technical concerns explained above, the amendments referred to in the preceding paragraph would have the effect of departing from requirements in corresponding standards issued by the International Accounting Standards Board (i.e. IAS 40 *Investment Property* and IAS 16 *Property, Plant and Equipment*). In terms of the IPSASB's assessment of public sector issues that warrant divergence from IASB requirements, as outlined in the IPSASB's "Process for Reviewing and Modifying IASB Documents", HoTARAC does not believe the exposure draft justifies such a departure for public sector entities.

As indicated in HoTARAC's recent responses on the various Conceptual Framework documents issued for comment, HoTARAC's preference is that the IPSASB and IASB work more closely to achieve convergence of their respective pronouncements.

Specific Matter for Comment 1

Are there amendments that the IPSASB needs to consider in future Improvements to IPSASs projects?

HoTARAC has not identified any other amendments for consideration in future annual improvements processes.