

July 11, 2012

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

**Re: PSAB Staff Comments on IPSASB's Exposure Draft (ED),
"Financial Statement Discussion and Analysis"**

We are pleased to provide you with a response to the Exposure Draft - *Financial Statement Discussion and Analysis*. We believe that having a standard on this topic is of value as it will contribute to providing users with information which will enhance their understanding of the financial position and results of operations, enabling them to make more informed decisions and judgments.

Responses to the Specific Matters for Comment are set out in Appendix A to this letter and represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).

Thank you again for the opportunity to provide you with input on this Exposure Draft. We hope that you find our comments helpful.

Sincerely,



Joanna Chrzanowski, CA
Principal
Public Sector Accounting

APPENDIX A

SPECIFIC MATTER FOR COMMENTS

Specific Matter for Comment 1:

Do you agree that the material presented in this Exposure Draft should be developed as an IPSAS, with the same level of authority as the accrual based IPSASs, which applies to all entities that prepare financial statements in accordance with IPSASs?

Having an authoritative standard on financial statement discussion and analysis is beneficial as it would require all public sector entities applying IPSASs to provide additional information about the financial statements and hence contribute to users' understanding of information contained in the financial statements. This in turn would allow users to make more informed decisions and judgements. An authoritative standard on this topic would also be of value as it would contribute to comparability and consistency of information.

Although an IPSAS on financial statement discussion and analysis is attractive from users' perspective, it may encounter some resistance by preparers and in turn may have an impact on the adoption of IPSASs. Therefore, it is important to allow for appropriate transitional provisions as discussed in the Specific Matter for Comment 5.

Specific Matter for Comment 2:

Do you agree that IPSAS 1 should be amended to clearly indicate that financial statement discussion and analysis is not a component of the financial statements?

Yes. A clear identification that financial statement discussion and analysis is not a component of the financial statements is needed. This may especially be important for users in distinguishing the information provided as part of the financial statements and that presented as part of the financial statement discussion and analysis. Further, a clear identification that financial statement discussion and analysis is not a component of the financial statements will be helpful in providing a distinction between the audited financial statements and the additional information in the financial statement discussion and analysis which is not required to be audited.

Specific Matter for Comment 3:

Is the scope of financial statement discussion and analysis clearly defined so as to distinguish it from other issues being addressed by the IPSASB (e.g., financial statements, service performance

reporting, reporting on the long-term sustainability of public finances)?

Yes

Specific Matter for Comment 4:

Is the required content for financial statement discussion and analysis appropriate?

Yes

Specific Matter for Comment 5:

Do you agree with the transitional provisions?

Overall, we agree with the transitional provisions. However, as this is proposed to be a mandatory standard, IPSASB may want to consider including transitional provisions which would lessen the burden of adoption of this IPSAS by entities in the process of adopting IPSASs or which are considering such transition.

Specific Matter for Comment 6:

Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?

We believe that the Implementation Guidance is useful to understanding the requirements of the proposed IPSAS and would be especially helpful for entities that have not prepared such information in the past nor have little experience in preparation of such information.

We would like to provide a suggestion to improve the Implementation Guidance. Specifically, paragraph A.IG11 states the following:

It is important that information presented in the financial statement discussion and analysis is supported by information in the financial statements, and does not go beyond or contradict the information presented in the financial statements.

It appears that the purpose of the underlined wording is to ensure that the financial statement discussion and analysis does not provide information that does not pertain to the financial statements and hence the wording “does not go beyond” was used. However, IPSASB staff may need to consider changing this wording or clarifying what is meant by it as for users to gain a better understanding of an entity’s financial position and changes in financial position, other information, beyond that contained in the current financial statements, may be required. IPSASB staff appears to agree with this in in paragraph A.IG13:

*While the information provided in financial statement discussion and analysis **may reflect information outside of the financial statements** (e.g., economic indicators such as changes in the tax base or the employment base), that information should be related to the reporting period and should be from a reliable source.*

Specific Matter for Comment 7:

Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?

Yes, we believe that the Illustrative Example is a useful way of illustrating the requirements of the proposed IPSAS for the same reasons mentioned in the response to Specific Matter for Comment 6.