



FAR is the institute for the accountancy profession in Sweden

IFAC
545 Fifth Avenue, 14th Floor,
New York
NY 10017, USA

15 June 2005

ED 24 – Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance

FAR, the Institute for the Accountancy Profession in Sweden has been given the opportunity of commenting on an exposure draft concerning Disclosure Requirements for public sector entities which are Recipients of External Assistance and uses the cash basis of accounting.

FAR realizes that it may be important for some entities to receive further guidance in cash reporting. However, the main task for IPSASB should be to further promote the acceptance in general of the use of accrual accounting.

ED 24 covers an area that is much broader than cash accounting itself. It also deals with potential cash flow. These matters might be handled in a cash flow analysis within the existing framework of accrual accounting. There is a risk that cash basis will not only consist of its pure elements but also of other elements closer to potential cash or modified accrual. In such a case, the nature of standards for cash accounting will create confusion and will actively hinder the adoption of “pure” accrual accounting standards.

Generally speaking, the matter of further developing cash based standards also highlights issues regarding the audit of accounts. It is vital that, when developing cash based standards, the proper adherence to the standards is monitored by an audit reporting, carried out according to best practice, to ensure full transparency.

Specific Matters for Comment

1. Yes. It is essential that it is clearly pointed out who is responsible for the categorization of the art of external assistance.
2. All assistance should be included when certain criteria are met, regardless of the type of donor.
3. We are satisfied with the definitions given in paragraph 5, but we find it necessary that the definitions also point out that when categorizing external assistance into “Other assistance” there must be a declaration from the donor or from the recipient regarding the actual conditions. This declaration should be disclosed in the financial statements. An example would be most helpful.
4. This is a good proposal, and will promote the important issue of transparency.

5. We fully approve.
6. We fully approve.
7. We do not think the requirements are excessive.
8. Two years should be a sufficient period in terms of the accounting problem. It is the responsibility of the auditor to report whether or not the entity has succeeded in complying with the accounting principles, disclosed in the financial statements.

FAR

Gunilla Werner Carlsson
Chairman, Public Sector Reference Group