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Dear Stephenie,

COMMENT ON THE EXPOSURE DRAFT ON FIRST-TIME ADOPTION OF ACCRUAL BASIS INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

We welcome the opportunity to comment on Exposure Draft 53 - *First- Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Overall, we support the development of the Exposure Draft as we believe that it provides a comprehensive set of principles to be used by entities on the adoption of the accrual basis IPSASs.

Even though some of our stakeholders indicated that more detailed practical guidance may have been helpful, we acknowledge that the development of such guidance is outside the scope of this project from the IPSASB's perspective.

Our comment to you is set out in three parts: Part I outlines comment on the specific matters for comment, Part II outlines general comment on some of the principles included in the Exposure Draft and Part III outlines editorial and other minor comment.

The comment on the Exposure Draft is that of the Secretariat of the Accounting Standards Board and not that of the Board. In formulating our comment on the Exposure Draft, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Please feel free to contact me should you require clarification on any of our comments.

Yours sincerely

Erna Swart, Chief Executive Officer

PART I – RESPONSES TO SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs for the first time.

(a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and

(b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs?

Please provide a reason for your response.

We agree with the proposed transitional exemptions included in the Exposure Draft as they provide a comprehensive set of principles that will assist entities with the adoption of the accrual basis IPSASs. We do, however, have specific comments on these transitional exemptions and other principles proposed in this Exposure Draft. These comments are included in Part II of our response.

We believe that the IPSASB has achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs. Even though some of our stakeholders indicated that more detailed practical guidance could be developed, we acknowledge that (a) the development of such guidance is outside the scope of this project, and (b) each jurisdiction should be responsible for the development of their own detailed guidance based on their specific needs.

Specific Matter for Comment 2

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter`s financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and

(b) Do you agree that the individual categorization is appropriate?

If not, please provide a reason for your response and provide an alternative approach.

<u>Differentiation between transitional exemptions</u>

We agree that by not applying certain principles on the first time adoption of accrual basis IPSASs, fair presentation of the financial statements will be affected, along with a first-time adopter's ability to assert compliance with accrual basis IPSASs. We do, however, have reservations about using the headings "affect the fair presentation of the financial statements" and "ability to assert compliance with IPSASs" in differentiating between the categories of transitional exemptions in the Exposure Draft.

We are concerned that by indicating that certain principles in IPSASs either do, or do not affect compliance and fair presentation on first-time adoption, it may set a precedent for the application of those principles going forward. For example, by indicating in the Exposure Draft that not preparing a segment report does not affect the fair presentation of the financial statements, might compromise the application of the IPSAS on *Segment Reporting* after first-time adoption.

We are therefore of the view that more neutral terms should be used to distinguish the transitional exemptions that can be adopted on the initial adoption of accrual basis IPSASs. We propose that terms such as "voluntary exemptions" and "mandatory transitional provisions" should be used to distinguish the transitional provisions in this Exposure Draft, and that the transitional provisions should be categorised and re-organised on this basis. As an example, "voluntary exemptions" could include those relating to deemed cost, and those that relate to IPSAS 4, IPSAS 10, etc. "Mandatory transitional provisions" will include those that related to IPSAS 5, IPSAS 6, IPSAS 21, IPSAS 26, etc.

It is however still important to inform first time adopters of the potential consequences of applying certain transitional provisions or exemptions. The Exposure Draft should therefore indicate or outline that fair presentation and/or an entity's ability to assert compliance with IPSASs may be affected if it applies certain exemptions. This could be achieved by adding a single paragraph listing which transitional provisions/transitional exemptions could affect fair presentation and compliance with IPSASs if applied.

During discussions with constituents, it was indicated that, while the Exposure Draft should make clear which transitional provisions/transitional exemptions affect fair presentation and compliance with IPSASs, it should also be clear that entities should assess the specific facts and circumstances in making this assessment. For example: A first-time adopter adopts the three year transitional relief period for the recognition and measurement of traffic fines because insufficient data is available about the value of fines issued, values written off, the compromises reached with offenders etc. The relief period is not applied to any other class of non-exchange revenue. The revenue received from fines is not significant in relation to the financial statements as a whole. In this instance, the entity may conclude that, by adopting this transitional exemption, fair presentation compliance with IPSASs will not be significantly affected. Thus, by applying judgement to the facts and circumstances, the first-time adopter will be able to achieve fair presentation and assert compliance with accrual basis IPSASs despite the fact that it adopted a transitional exemption that would otherwise impact fair presentation and its ability to assert compliance with accrual basis IPSASs.

As a result, we propose adding wording to the Exposure Draft that makes it clear that the while the adoption of certain transitional exemptions is likely to affect fair presentation and compliance, the specific facts and circumstances need to be considered by the entity, and judgement applied.

Categorization of transitional exemptions

While we have proposed that the transitional exemptions should be classified in a different way, if the IPSASB continues with its current classification, we agree with the individual categorisation between transitional exemptions that affect the fair presentation and compliance with accrual basis IPSASs, and those that do not, except for the categorization of the transitional exemptions relating to IPSAS 18 *Segment Reporting*.

According to IPSAS 1 *Presentation of Financial Statements*, an entity cannot achieve fair presentation unless it has complied with all the requirements of all the IPSASs. Even though IPSAS 18 provides information in addition to the information required on the elements presented in the financial statements, it is in our view still necessary for a first-time adopter to comply with the requirements in this Standard before compliance with accrual basis

IPSASs can be claimed. As the segment report often provides an important linkage between the financial statements and service performance information, we are of the view that this information is important in assessing both financial and non-financial performance and contributes to accountability and decision-making.

The Exposure Draft also seems to inconsistently classify exemptions that deal with disclosure and presentation issues, particularly when the proposals for IPSAS 18 are considered in relation to the proposals for IPSAS 20. IPSAS 20 *Related Party Disclosures* requires the disclosure of information about related party relationships and transactions with related parties. The Exposure Draft currently allows entities a three year relief period for these disclosures. The presentation of information about related party relationships and transactions with related parties also does not impact any of the elements presented in the financial statements, but this disclosure is seen as important from an accountability and decision making perspective. This Exposure Draft classifies the transitional exemptions for IPSAS 20 under the category that affects the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs.

Given that we are of the view that segment information can provide useful information for accountability and decision-making, we are of the view that the transitional exemptions relating to IPSAS 18 should be included as a category of transitional exemptions that affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs.

Specific Matter for Comment 3

This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accrual basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.

We agree that the proposed relief period of three years is appropriate. In providing the three year relief period, we acknowledge that entities wanting to transition to accrual basis IPSASs should plan their transition in advance of the adoption date to ensure that appropriate records are obtained and that the required information is compiled timeously.

We are however of the view that the IPSASB should strengthen its view in the Basis for Conclusions regarding how it arrived at the three year transitional relief period. In particular, the Basis for Conclusions should emphasise that, regardless of the transitional period allowed entities should plan and prepare well in advance of date of adoption of accrual basis IPSASs. The IPSASB should also highlight the preparedness of entities in the Implementation Guidance.

This Exposure draft states that if assets were recognised under a previous basis of accounting, a first-time adopter may only adopt three year transitional relief for the measurement of these assets and/or liabilities. We propose that the Implementation Guidance should explain that a first-time adopter that takes advantage of this exemption should not derecognise any of its assets that were recognised under its previous basis of accounting, but that the exemption applies to the measurement of its assets and/or liabilities.

PART II – OTHER COMMENTS

1. Definitions

Date of adoption

The date of adoption is defined as the date an entity adopts accrual basis IPSASs for the first time, *and is the beginning of the earliest period* for which the first-time adopter presents its first transitional IPSAS financial statements or its first IPSAS financial statements. In reading this definition, the phrase "*beginning of the earliest period for which an entity presents its first transitional IPSAS financial statements*" could be interpreted to include the beginning of the comparative period where a first-time adopter has elected to present comparative information. While this is accurate, it may effectively reduce the relief period granted to entities if they prepare comparative information. For example: An entity takes advantage of the three year relief period for the recognition of assets, but elects to prepare comparative information, the three year relief period runs from the date of adoption, which is the beginning of the comparative and not the beginning of the year in which the entity announces its intention to adopt IPSASs. This effectively means that the entity only has a two year relief period, and not three.

To ensure that entities are given the full benefit of the relief period allowed, we propose that the phrase "beginning of the earliest period" should be amended to "start of the financial year in which the first-time adopter elects to adopt accrual basis IPSASs".

Exemptions that affect fair presentation and compliance with accrual basis IPSASs

2. Three year transitional relief period for the recognition and/or measurement of assets and/or liabilities

2.1 *Transitional relief for recognition of inventory*

Paragraph 32 allows a first-time adopter to elect a three year transitional relief period for the recognition and/or measurement of certain assets and/or liabilities. Relief is however not considered for the recognition and/or measurement of inventory as defined in IPSAS 12 *Inventory*.

Even though inventory is a current asset which is realised, consumed, sold or used in an entity's operating cycle (normally twelve months), an entity adopting accrual basis IPSASs for the first-time may need time to identify and classify its assets appropriately between inventory, investment property or property, plant and equipment. For example: A first-time adopter may, on the adoption of accrual basis IPSASs identify that it has land under its control. In classifying the land appropriately in terms of accrual basis IPSASs, a first-time adopter may need time to determine the reason for having or holding this land before it can classify the land as either property, plant or equipment, or as inventory (ie land held for sale). Likewise, a first-time adopter may need time to appropriately classify spare parts as either property, plant or equipment, or inventory. A first-time adopter may also need some time to determine the valuation of its inventory under the first-in, first-out (FIFO), or weighted average cost formula.

We therefore propose that a three year transitional relief period should also be provided for the initial recognition and/or measurement of inventory.

2.2 *Application of the accounting policy in respect of measurement of certain assets and/or liabilities*

We agree with the three year transitional relief provided in paragraph 34 for the measurement of assets and/or liabilities where a first-time adopter has recognised assets under its previous basis of accounting. We also support the proposal in paragraph 36 that requires a first-time adopter to only change its accounting policy during the period of transition to better conform to the accounting policies in accrual basis IPSASs.

If paragraph 34 is read in isolation, it is not clear that an entity can continue to apply its existing accounting policies or that when it does change these policies, it should only be to better conform to the requirements of IPSASs. We are therefore of the view that paragraphs 34 and 36 should be combined to make this principle clearer. The combined paragraph (paragraph 34 and 36) should make the following points clear:

- An entity is not required to change its accounting policies for a period of three years following the adoption of IPSASs.
- As a result of the relief provided, an entity may continue to apply its previous accounting policies in respect of the recognition and measurement of assets and liabilities.
- An entity may only change its existing accounting policies to align them with the requirements of IPSASs.

Having considered the amendments to paragraph 34 and 36 outlined above, the need to paragraph 35 should be reconsidered.

2.3 *Recognition and/or measurement of non-exchange revenue*

As with the proposal above to combine the principles in paragraphs 34 and 36, we propose that a similar amendment should be made to paragraphs 38 and 40.

2.4 *Changing the accounting policy during the period of transition on a class-by-class basis*

Where an entity makes use of the three year transitional relief for the recognition and/or measurement of non-exchange revenue, paragraph 40 allows a first-time adopter to change its accounting policy on a class-by-class basis. The specific reference to the change in accounting policy on a class-by-class basis is however not specified in the transitional exemptions for assets such as property, plant and equipment or intangible assets. To encourage a first-time adopter to comply with the requirements in all the applicable IPSASs as soon as possible, we propose that the IPSASB also allow a first-time adopter to change its accounting policy on a class-by-class basis in respect of the recognition of assets, such a as property, plant and equipment, intangible assets, biological and other assets.

We therefore recommend that the IPSASB analyse which assets (and/or liabilities) can be recognised/measured on a class by class basis, and amend relevant paragraphs in each of these sections

3. IPSAS 6, *Consolidate and Separate Financial Statements*

The transitional exemptions in paragraphs 44 to 46 allow a first-time adopter to not to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of accrual basis IPSASs. Likewise, paragraphs 47 to 49 and paragraphs 50 to 53 allow an investor and a venturer not to eliminate its share in the associate's surplus of deficit or balances and transactions between entities that are jointly controlled for a period of three years following the adoption of accrual basis IPSASs.

We are of the view that the extent of the relief provided to entities for the preparation of consolidated financial statements is insufficient. We have identified two areas where we believe further relief can be provided.

3.1 *Initial classification and identification of a first-time adopter's interest in another entity*

Entities are allowed a period of three years to recognise and/or measure financial instruments. This means that an entity potentially has three years to assess what investments it holds in other entities, and how they should be classified and measured. If entities are allowed a period of three years to assess what investments it holds in other entities, it may not be possible to prepare consolidated financial statements from the date of adoption as the first-time adopter may not yet have determined which entities it controls.

In some instances, a first-time adopter may not have all the information to present consolidated financial statements following the date of adoption. We therefore propose that some relief be provided to a first-time adopter when (a) it applies the three year relief period for the recognition and/or measurement of financial instruments, and (b) it cannot eliminate any inter-entity transactions.

3.2 *Exemption to not prepare consolidated financial statements for interests in other entities*

Paragraph 44 requires a first-time adopter to present consolidated financial statements following the date of adoption of accrual basis IPSASs. There may be first time adopters who are not in a position to eliminate any inter-entity transactions, balances, revenues or expenses at all. In these instances, presenting consolidated financial statements will not provide reliable and relevant information to the users of the financial statements as the consolidation is merely an aggregation of line items. In our view, this set of financial statements will not meet the qualitative characteristics and objectives of financial statements as set in the Conceptual Framework.

We therefore recommend that in these instances, relief should be provided from the preparation of consolidated financial statements until such time as some inter-entity transactions, balances, revenues and expenses can be eliminated.

3.3 *Transitional relief relating to an investment entity*

The IPSASB's Exposure Draft on *Consolidated Financial Statements* (ED 49) introduced investment entities as part of the IPSASB Exposure Drafts that deal with *Interests in Other Entities* (EDs 48 to 52).

Even though the IPSASB has acknowledged in this Exposure Draft (ED 53) that it would reconsider the transitional exemptions once comment on the proposed IPSASs on *Interests in Other Entities* (EDs 48 to 52) are considered, we urge the IPSASB to develop transitional provisions for the initial recognition of an investment entity on initial adoption of accrual basis IPSASs.

4. ***IPSAS 7, Investments in Associates and IPSAS 8, Interest in Joint Venture***

As mentioned above, we acknowledge the fact that the IPSASB will reconsider the provisions in this Exposure Draft once the IPSASB has considered the comment received on the Exposure Drafts on *Interest in Other Entities* (ED 48-52). Because there is a single proposed Standard that deals with the accounting of a joint venture and associate, (ie ED 50 on *Interest in Associates and Joint Ventures*) we propose that transitional exemptions for IPSAS 7 and IPSAS 8, as included in this Exposure Draft, should be combined.

We would also like to point out that the terminology used in the transitional exemptions for IPSAS 7 and IPSAS 8 should be aligned with that used in Exposure Draft 50.

In addition, the transitional exemptions in paragraphs 50 and 51 should be reconsidered if the proposal to eliminate the proportionate consolidation treatment in ED 50 on *Interest in Associates and Joint Ventures* and ED 51 on *Joint Arrangements* is incorporated into the new pronouncements.

5. ***IPSAS 13, Leases***

We propose that paragraph 54, as well as the related grey letter paragraph 55, should be clarified to explain that the exemption applies to the recognition of a finance lease asset, and a finance lease liability. At present, the grey letter paragraph only mentions finance lease assets, which is inconsistent with paragraph 54. We also recommend that this clarification should be made to the applicable Basis for Conclusions and Implementation Guidance paragraphs.

If paragraph 54 is amended as proposed, then paragraph 58 should be expanded to require that a first-time adopter disclose the information required by IPSAS 13 for those finance lease liabilities that exist at the date of adoption. This will ensure that users have sufficient information about finance lease liabilities that exist.

6. ***IPSAS 20, Related Party Disclosures***

Even though we support the three year transitional exemption allowed for the disclosure of related party relationships and related party transactions, we question the exemption relating to the disclosure of information about key management.

Information about the remuneration of, and loans granted to, key management should be available to a first-time adopter, irrespective of the previous basis of accounting that was applied.

We propose that the exemption for IPSAS 20 should be limited to the disclosure of related party relationships and related party transactions for the reason explained in the previous paragraph.

Exemptions *that do not affect fair presentation and compliance with accrual basis IPSASs*

7. Using deemed cost to measure assets

7.1 *Application of deemed cost*

The first sentence in paragraph 65 states that deemed cost can only be used where the acquisition cost of the asset is not available. The second sentence in this paragraph states that deemed cost assumes that the entity had initially recognised the asset or liability at the given date. This implies that the first-time adopter had cost information about the asset on the date of adoption. This sentence contradicts the IPSASB's conclusion in BC 69 which explains that the use of deemed cost should be restricted to those circumstances where reliable cost information about the historical cost of the asset is not available. We therefore propose that the second sentence should be deleted.

In addition, the wording in the first sentence of paragraph 65 should also be clarified to explain when deemed cost may be determined as concluded in BC69.

7.2 *Using deemed cost to measure assets acquired through non-exchange transactions*

As with the explanatory guidance included in paragraph 65 that outlines when deemed cost may be used, we recommend that a similar explanation should be included as a grey letter paragraph to explain paragraph 72. As fair value is already prescribed for the measurement of assets acquired in a non-exchange transaction, the grey letter paragraph needs to make it clear that the exemptions relate to the timing when fair value is determined. An entity need not determine what the fair value was at the date the asset was acquired, but that fair value can be determined on the date of adoption of IPSASs.

7.3 *Measurement alternatives for interests in investments*

Paragraph 73 indicates that, where an entity elects to measure its investment in a controlled entity, joint ventures or associate at cost in its separate financial statements, it can determine "cost" using the guidance in IPSAS 6 (which is based on the purchase cost of the investment) or it can determine a deemed cost based on fair value as described in IPSAS 29.

On initial adoption of accrual basis IPSASs, a first-time adopter may not have reliable cost information about the amount paid for the investments in controlled entities, jointly controlled entities and associates, and reliable market-based evidence of fair value may not be available to determine deemed cost. For example, if a controlling entity has an interest in a controlled entity that does not have publicly traded equity and the fair value cannot be determined through valuation methods, it may be difficult to determine the value at which the controlling entity needs to recognise its investment on the date of adoption.

Similar to the measurement alternatives that have been allowed for inventory and investment property in paragraph 70, we suggest that the IPSASB consider adding a measurement alternative to determine a deemed cost for its interests in other entities in the absence of reliable cost information. The net asset value of the investment may be an appropriate measurement alternative that could be considered.

8. *IPSAS 1, Presentation of Financial Statements*

8.1 <u>*Presenting comparative information*</u>

Paragraph 15 requires a first-time adopter to use the same accounting policies in its opening statement of financial position and throughout all periods presented. If a first-time adopter elects to include non-IPSAS comparative information in its first set of transitional financial statements, the requirement in paragraph 15 would effectively require a first-time adopter to amend its non-IPSAS comparative information to be IPSAS compliant.

Accordingly we propose that the scope paragraph of the Exposure Draft should explain that the transitional exemptions provided in this Exposure Draft only apply to information prepared in accordance with IPSASs.

8.2 <u>*Requirement to present one or two statements of financial position, two statements of financial performance, two statements of changes in net assets and two statements of cash flow statements*</u>

Paragraphs 76 and 77 require a first-time adopter to either present one, or two statements of financial position, two statements of financial performance, two statements of changes in net assets and two statements of cash flow statements depending on whether it has elected to present comparative information. In requiring a first-time adopter to present "two statements of financial position, two statements of financial performance, two statements of changes in net assets and two statements of cash flow statements" a first-time adopter my read the requirements in these paragraphs to be two separate sets of financial statements.

We therefore recommend that the requirements in paragraph 76 should be clarified to refer to one set of financial statements (as in paragraph 77), but with an additional requirement that comparative information from the preceding period should be presented as part of these statements were a first-time adopter has elected to present comparative information.

To illustrate:

"76(a) ~~Two~~ <u>One</u> statement~~s~~ of financial position <u>with comparative information from the preceding period,</u> and an opening statement….."

8.3 <u>*Illustrating how comparative information should be presented*</u>

An example illustrating how a first-time adopter should present its first transitional IPSAS financial statements or its first IPSAS financial statements as required by paragraphs 76 and 77 should be considered. The example should specifically illustrate how, and where, the opening statement of financial position as referred to in paragraphs 76(a) and 77(a) should be presented.

9. *IPSAS 13, Leases*

Paragraph 94 requires a first-time adopter to classify all existing leases as operating or finance leases based on circumstances that existed at the inception of the lease. If, however, the lessee and the lessor agreed to change the provisions of the lease (other than renewing the lease) at any time between the date of inception and the date of adoption of accrual basis IPSASs, these amendments could impact the classification of the lease as at the date of adoption of accrual basis IPSASs.

We therefore recommend that the principle in paragraph 94 should be expanded to require that, to the extent that a lessor agreed to change the provisions of the lease (other than renewing the lease) at any time between the date of inception of the lease and the date of adoption of accrual basis IPSASs in a manner that would have resulted in a different classification of the lease at the date of adoption , the revised agreement should be regarded as a new agreement. The new provisions of the lease agreement should thus be considered at the date of adoption of accrual basis IPSASs. This requirement is similar to requirements included in IPSAS 13 paragraph 18.

10. *IPSAS 31, Intangible Assets*

Paragraph 123 requires that a first-time adopter may recognise and/or measure an internally generated intangible asset if it meets the definition and recognition criteria in IPSAS 31, even though it has, under its previous basis of accounting, expensed such costs.

We are of the view that the IPSASB should reconsider this exemption from a cost-benefit perspective. Paragraph 64(d) states that a first-time adopter may not determine a deemed cost for an internally generated asset, and by implication, paragraph 123 therefore requires a first-time adopter to have the historical cost information available if the transitional exemption is to be applied. If a first-time adopter wants to recognise previously expensed internally generated intangible assets, it should apply hindsight, which may be inappropriate, to determine if the requirements in IPSAS 31 were met at that time.

We therefore propose that paragraph 123 should be deleted.

11. Presentation and Disclosure

Presentation and disclosure requirements in paragraph 126

We propose that paragraph 126 should clarify whether the disclosures required in this paragraph should be provided only on the date of adoption of accrual basis IPSASs, or during the period of transition.

As we are of the view that the disclosures required in this paragraph should be provided during the period of transition, we propose that paragraph 126 starts with the words *“During the period of transition…”* as opposed to *“Where a first-time adopter takes advantage…”*

12. Other matters

12.1 *Describing the basis on which the financial statements are prepared during the transitional period allowed*

It is questioned how a first-time adopter will explain the basis used to prepare its transitional IPSAS financial statements. It is proposed that an entity indicate that it prepares its financial statements using IPSASs, but that it has applied the transitional relief provided in *First Time Adoption of Accrual Basis IPSASs,* and has, as a result, not applied the requirements of the following IPSASs…..

We propose that this should be explained in the propose Standard, and by way of an illustrative example in the Implementation Guidance.

12.2 *Basis for conclusion on IPSAS 20, Related Party Disclosure*

The paragraph relating to IPSAS 20 should be repositioned in the Basis for Conclusions. We propose moving it to after BC64.

12.3 *Study 14 Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*

Impact of this Exposure Draft on Study 14

We propose that the IPSASB should provide explanatory guidance on how the development of this Exposure Draft impacts Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. This guidance should be included in Study 14 to alert preparers to the possible impact that the adoption of this Exposure Draft may have on their transition to accrual accounting, and will also ensure that entities prepare well in advance prior to the adoption of accrual basis IPSASs.

Preparing consolidated financial statements for whole-of-government

Paragraph 88 and 89 of this Exposure Draft provide guidance on when the controlled entity, investor or venturer adopts accrual basis IPSASs either before or after the controlling entity, associate or joint venture. We are of the view that Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, from a whole-of-government perspective, should emphasize the benefits of adopting accrual basis IPSASs at the same time. This will ensure that relevant and reliable information that meet user needs, are provided when whole-of-government financial statements are prepared.

PART III – EDITORIAL AND OTHER MINOR COMMENTS

The following editorial and other minor comments are proposed:

Paragraph	**Comment**
Paragraph 07, 11, 126(a) and (b) and BC 24	Amend “impact” to “affect”
Paragraph 44	Delete last sentence
Paragraph 58	Add a full stop
Paragraph 72	Heading should be aligned with the rest of the Exposure Draft
Paragraph 76	Delete extra space in first sentence between “statements or”
Paragraph 76 (a)	Replace the word “and” with “with”
Paragraph 77 (a)	Replace the word “and” with “with”
Paragraph 126(e)	Replace the word “item” with “assets, liabilities, revenue and/or expenses” as in paragraph 126(d)
Paragraph 113	Heading should be italic
BC 33	Heading should be aligned with the rest of the Exposure Draft
BC 77	Reference to IFRS should be changed to IPSAS