



*Advancing
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August 21, 2011

Ms. Stephanie Fox
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:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on its April 29, 2011 exposure draft entitled *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*. This exposure draft highlights certain characteristics of the public sector that may have implications for the development of a conceptual framework and accounting standard setting.

The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB support the concepts and positions stated by the IPSASB in this exposure draft and we support the inclusion of this document in the Conceptual Framework. Our answers to the two matters posed by the IPSASB for specific comment follow. We also have two suggestions for your document that should help to clarify certain matters.

Specific Matter for Comment 1 - Do you agree that this document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting? If not, please indicate how you would modify the document.

We agree that the document provides useful background information on the key characteristics of the public sector and that the document provides useful information that will assist in the financial standard setting process.



Specific Matter for Comment 2 - Do you agree that this document should be included as part of the IPSASB's literature? If you agree, where do you think the material in this document should be located:

- (a) As part of the Conceptual Framework;
- (b) As a separate section of the *Handbook of International Public Sector Accounting Pronouncements*; or
- (c) Elsewhere with some other status – please specify?

We agree that this document should be included as part of the IPSASB's literature and we believe that it should be included in the Conceptual Framework. To clarify two portions of the document, we have suggested additions to the wording of the document. These are as follows:

Paragraph 7.1, pg. 10

“Regulatory intervention also occurs where there are market imperfections or market failure for particular goods or services, and where the total costs of particular transactions and activities are not transmitted through pricing and may therefore be borne by those other than producers or consumers (that is, externalities occur, often resulting in costs borne by the society as a whole (“social costs”), not just by parties to particular transactions. Examples include taxation of toxic/hazardous waste byproducts, environmental pollution/degradation, and unwholesome or unsafe products - such as nicotine and alcohol, etc. - which cause illnesses, injuries, and remediation costs to both transactors and to third parties).”

Paragraph 8.1, pg. 11

“ They also have rights over phenomena such as the electromagnetic spectrum. The electromagnetic spectrum extends from low frequencies used for modern radio to gamma radiation at the short-wavelength end. Governments frequently regulate the use of wavelengths within their territory and lease the rights to use specific frequencies in specific locations, both to protect those that have a legitimate social purpose in the use of a particular wavelength and to prevent unauthorized use of restricted public-purpose wavelengths that could result in risk to public health and safety

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. No member of the FMSB objected to the issuance of this letter. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 703-684-6931, extension 307.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Berman', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2011 – June 2012

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