



Accounting Standards Board

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Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario, M5V 3H2 Canada  
29 September 2009

Dear Stephenie,

**COMMENTS ON ED 42, “IMPROVEMENTS TO IPSASs”**

Enclosed please find our comments on ED 42, “Improvements to IPSASs”. We welcome the opportunity to provide comments on ED 42 and commend the IPSASB for undertaking a periodic revision of the IPSASs as a result of amendments to the equivalent IFRSs.

Our detailed comments on the amendments proposed to various IPSASs, as well as general comments, are set out in Annexure A to this letter.

While we acknowledge the IPSASB’s efforts to update the IPSASs for annual Improvements to IFRSs made to the equivalent IFRSs by the IASB, we would like to encourage the Board to undertake a future project to review existing IPSASs to ensure consistent references to other standards, use of terminology and structure. The discussion that follows outlines examples of inconsistent references to standards, terminology and structure and is not a comprehensive list.

*Examples of inconsistent references to other standards*

In the IPSASs recently issued by the IPSASB, references have been included to the “international or national accounting standard dealing with non-current assets held for sale and discontinued operations”. Similar references do not exist in existing IPSASs. The IPSASB should consider whether it should issue an equivalent of IFRS 5 on Non-current Assets Held for Sale and Discontinued Operations and, if yes, it can update the existing IPSASs as part of the consequential amendments to that proposed IPSASs. If the IPSASB does not issue an equivalent of IFRS 5, it should review the existing IPSASs and amend the references to ensure consistent treatment of assets held for sale across the suite of IPSASs.

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

*Examples of inconsistent terminology*

When the IPSASB considered the revisions made to the IASs by the IASB as part of its General Improvements Project, the IPSASB did not amend all the affected IPSASs. Consequently, certain terms that were amended in the IPSASs as part of the 2006 improvements project, have not been amended in the IPSASs that were not included in the 2006 improvements project. For example, the term “dividends” was amended to “dividends or similar distributions” as part of the improvements project in 2006. IPSAS 2 however still refers extensively to “dividends”.

The term “net surplus or deficit” was also amended to “surplus or deficit” as part of the improvements project undertaken in 2006. IPSAS 2, particularly paragraph 22 (which is being revised) refers to “net surplus or deficit”. As noted in Appendix A to IPSAS 1 the references to “net surplus or deficit” should be amended to “surplus or deficit” throughout the text of the relevant IPSASs. The IPSASB should amend these references either when compiling the next edition of the handbook or as part of a general revision of the existing IPSASs.

*Examples of inconsistent structure*

BC2 of IPSAS 1 states that: “Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure and text of the IFRSs, unless there is a public sector specific reason for departure.”

The structure of some of the existing IPSASs differs from that of the IFRSs as the Basis for Conclusions is presented after non-authoritative text. This is the case for IPSAS 1, IPSAS 3, IPSAS 4, IPSAS 6, IPSAS 7, IPSAS 8, IPSAS 12, IPSAS 13, IPSAS 14, IPSAS 16, IPSAS 17, IPSAS 21 to IPSAS 26.

Consequently, we suggest that the structure of these IPSASs should be reviewed.

Please feel free to contact me should you have any queries on our comments.

Yours sincerely

A handwritten signature in blue ink that reads "Erna Swart". The signature is written in a cursive, flowing style.

Erna Swart  
Chief Executive Officer

## 1. GENERAL

### 1.1 Basis for Conclusions

A basis for conclusions paragraph has been proposed for inclusion in many of the amended IPSASs. When the IPSASB revised IPSAS 1, 3, 4, 6, 7, 8, 12, 13, 14, 16 and 17 for amendments made to the equivalent IASs as part of the 2003 Improvements Project undertaken by the IASB, it added a basis for conclusions outlining its rationale and conclusions in undertaking the revisions to the IPSASs.

The basis for conclusions in these IPSASs makes specific reference to the IPSASB's consideration of the changes made to the equivalent IFRSs/IASs. We propose that similar wording is used in the new basis for conclusions paragraph added to the improved IPSASs.

We also propose that the basis for conclusions is appropriately separated between those paragraphs relating to the 2003 revisions or conclusions reached in issuing the IPSAS, and subsequent revisions. This can be achieved by inserting appropriate headings in the existing basis for conclusions.

The following format and wording is suggested for both proposed revisions, using IPSAS 1, "Presentation of Financial Statements" as an example.

#### **Revision of IPSAS 1 as a result of the IASB's General Improvements Project 2003**

*Background*

BC1 – BC10

#### **Revision of IPSAS 1 as a result of the IASB's Improvements to IFRSs issued in 2008**

BC11. The IPSASB reviewed the revisions to IAS 1 included in the Improvements to the IFRSs issued by the IASB in May 2008 and concurred with the IASB's reasons for revising the IAS and with the amendments made.

### 1.2 Comparison of IPSASs to equivalent IFRSs/IASs

The various comparisons of the individual IPSASs to the equivalent IFRSs/IASs generally state that: "IPSAS X is primarily drawn from IAS X issued in YYYY".

Due to the fact that improvements have been incorporated in various IPSASs as part of the *Improvements to the IFRSs*, it may be appropriate to amend the comparison to indicate this fact. The following wording is suggested for the various comparisons, using IPSAS 1, "Presentation of Financial Statements" as an example.

#### **Comparison with IAS 1**

IPSAS 1 is drawn primarily from IAS 1 (2003) and includes amendments made to IAS 1 as part of the Improvements to IFRSs issued in May 2008...

## 2. PART I

### 2.1 IPSAS 7, “Investments in Associates”

IPSAS 7 paragraph 47A on the effective date and transition should be amended as follows: “those amendments” should be changed to “this amendment” (sentence 2) and “amendments” be “amendment” (sentence 3 and last sentence).

### IPSAS 8, “Interests in Joint Ventures”

The heading “Effective Date” should be amended to “Effective Date and Transition” in accordance with the amendments made to IAS 31 as part of the *Improvements to IFRSs* issued in May 2008.

### 2.2 IPSAS 16, “Investment Property”

Paragraph 101A currently states the following: “...If an entity applies the amendments for an earlier period it shall disclose that fact and at the same time apply the amendments to paragraphs 7 of IPSAS 17, “Property, Plant and Equipment”. In line with the revisions to IAS 40, the paragraph should refer to both paragraphs 7 and 107A.

### 2.3 IPSAS 17, “Property, Plant and Equipment”

Our specific comment on consistent use of terminology in the covering letter refers. Paragraph 22 of IPSAS 2 refers to “net surplus or deficit”.

### 2.4 IPSAS 25, “Employee Benefits”

The equivalent of paragraph 160 in IAS 19 has been omitted from IPSAS 25. This paragraph effectively provides entities relief from preparing a 5 year sensitivity analysis; instead they include the information in their financial statements after each completed reporting period. While this relief may not be necessary for those entities that have applied IAS 19, it is particularly relevant for those entities that apply accrual accounting for the first time.

The IPSASB should consider re-instating this paragraph as part of any future improvements/revisions to the IPSASs.

## 3. PART II

### 3.1 IPSAS 1, “Presentation of Financial Statements”

3.1.1 Paragraph 82 refers to “...bank overdrafts, and the current portion of non-current liabilities, dividends payable, income taxes and other non-trade payables.” While not specifically related to the *Improvements to IFRSs* published in 2008, the reference to “dividends payable” is incorrect. The term “dividends or similar distributions” is used elsewhere in IPSAS 1 (see paragraphs 117 and 149(a) and (b)). The reference in paragraph 82 should therefore be corrected to “dividends or similar distributions” either as part of this project or as a part of another project to revise existing IPSASs.

3.1.2 The heading “Effective Date” should be amended to “Transition and Effective Date” in accordance with the amendments made to IAS 1 as part of the *Improvements to IFRSs* issued in May 2008.

3.1.3 Paragraph 153A currently refers to an amendment (singular) while there are in fact two amendments proposed. The wording should be amended appropriately.

### **3.2 IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”**

Amended paragraph 11 refers to IPSASs being accompanied by “guidance”. With the inclusion of any interpretative guidance issued by the IFRIC of the IASB as appendices to the relevant IPSASs, it should be clearly indicated in those appendices that they constitute “guidance” to the relevant IPSASs. For example, the appendices to ED 38 prescribing guidance from the relevant IFRICs should refer to: “Application Guidance – Reassessment of Embedded Derivatives” and “Application Guidance – Hedges of a Net Investment in a Foreign Operation”. Without these specific references, the authority of the appendices may be unclear.

### **3.3 IPSAS 6, “Consolidated and Separate Financial Statements”**

The main thrust of the amendment made by the IASB to IAS 27 on *Consolidated and Separate Financial Statements* was to clarify the interaction between IFRS 5, IAS 39 and IAS 27 regarding investments in subsidiaries that are held for sale and the appropriate measurement.

As the IPSASB has no equivalent of IFRS 5, this amendment is relatively minor and should be delayed until the IPSASB has made a decision regarding an equivalent of IFRS 5.

### **3.4 IPSAS 10, “Financial Reporting in Hyperinflationary Economies”**

3.4.1 Paragraph 22 as marked up in ED 42 differs from the published text in the 2009 handbook. The opening sentence in the 2009 handbook refers to IPSAS 21 and IPSAS 26 rather than the international or national accounting standards. The most recent version should be published in the final document.

3.4.2 The second sentence refers to “For example, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount or recoverable service amount...”. Based on the discussions in ED 41, there is no recoverable service amount for goodwill. We therefore suggest that the sentence be reconstructed to ensure that this inconsistency is avoided.

3.4.3 The heading and paragraphs 28-29 in the section that deals with “Surplus or Deficit on Net Monetary Position” incorrectly refers to “surplus or deficit” on the net monetary position instead of a “gain or loss” on the net monetary position. We suggest that this is corrected in finalising the document or as part of future improvements to IPSAS 10. This will then enable the inclusion of the amendment made to IAS 29.28 as part of the *Improvements to IFRSs* for 2008.