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The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants

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Toronto, Ontario M5V 3H2 Canada

Per e-mail

29 June 2011

Dear Stephenie,

**COMMENT ON EXPOSURE DRAFT: ED 45 IMPROVEMENTS TO IPSASs 2011**

We welcome the opportunity to provide comment on Exposure Draft 45 – *Improvements to IPSASs* issued by the International Federation of Accountants – International Public Sector Accounting Standards Board (IPSASB). Overall we are supportive of the project as we believe it will enhance and improve the principles set out in the IPSASs.

Enclosed please find our comment that is structured into specific matters and other matters.

Please do not hesitate to contact me should you wish to discuss any of our comment.

Yours sincerely

Erna Swart  
Chief Executive Officer

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

## SPECIFIC MATTERS FOR COMMENT

*Are there amendments that the IPSASB needs to consider in future Improvements to IPSASs projects?*

1. The International Accounting Standards Board (IASB) undertakes an annual revision of International Financial Reporting Standards (IFRSs) called Improvements to IFRSs. These improvements should also be considered by the IPSASB as part of its annual improvements to IPSASs. If the IPSASB agrees not to include certain improvements, it would be useful to explain the exclusion of such improvements in the exposure draft dealing with improvements to IPSASs. For example, the 2010 Improvements to IFRSs made amendments to IAS 1 *Presentation of Financial Statements* and IFRS 7 *Financial Instruments: Disclosures* which were not included in IPSAS 1 and IPSAS 30. The reason for not considering these improvements as part of the improvements to IPSASs were however not highlighted or explained in ED 45, which does question the reason why IPSAS 1 and IPSAS 30 are different to the IFRS equivalents.
2. Other minor improvements that could be considered are as follows:

### **IPSAS 1 *Presentation of Financial Statements***

Paragraph .117

**Information to be presented either on the face of the statement of financial performance or in the notes**

.....

***.117 When an entity provides a dividend or similar distribution to its owners, it shall disclose, either on the face of the statement of financial performance or in the statement of changes in net assets or in the notes, the amounts of dividends or similar distributions, recognised as distribution to owners during the period, and the related amount of dividends per share (where the entity has share capital).***

### **IPSAS 9 *Revenue from Exchange Transactions***

Paragraph .12

#### **Definitions**

##### **Revenue**

12. Revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity on its own account. Amounts collected as agent of the entity or on behalf of other third parties, for example, the collection of telephone and electricity payments by the post office on behalf of entities providing such services, are not economic benefits or service potential that flow to the entity and do not result in increases in assets or decreases in liabilities. Therefore, they are excluded from revenue. Similarly, in a ~~custodial~~ or an agency relationship, the gross inflows of economic benefits or service potential include amounts collected on behalf of the principal and which do not result in increases in net assets for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows.

## **IPSAS 13 Leases**

Paragraphs .40 and .44

### **Leases in the financial statements of lessees**

#### **Finance leases**

**.40 Lessees shall disclose the following for finance leases:**

.....

**(f) a general description of the lessee's material leasing arrangements including, but not limited to, the following:**

- (i) the basis on which contingent rent payable is determined;**
- (ii) the existence and terms of renewal or purchase options and escalation clauses; and**
- (ii) restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing; and**

.....

#### **Operating leases**

**.44 Lessees shall disclose the following for operating leases:**

.....

**(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following:**

- (i) the basis on which contingent rent payable is determined;**
- (ii) the existence and terms of renewal or purchase options and escalation clauses; and**
- (iii) restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt, and further leasing.**

## **OTHER MATTERS FOR COMMENT**

### **Part 1**

We support the deletion of the Introduction sections in the 21 IPSASs.

### **Part II**

We support the inclusion of an objective paragraph in the 4 IPSASs.

### **Part III**

#### **IPSAS 17 Property, Plant and Equipment**

A reference to IPSAS 26 should also be included in paragraph .22

##### **Initial costs**

.22 Items of property, plant and equipment may be required for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits or service potential of any particular existing

item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognised as an asset because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with IPSAS 21 *Impairment of Non-Cash-Generating Assets* or IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate.

**IPSAS 21 *Impairment of Non-Cash-Generating Assets***

We support the proposed improvement to paragraph .27 but recommend that entities should be required to apply the proposed amendment prospectively.