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By email: [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

Dear Stephenie

**IPSASB Exposure Draft; Key Characteristics of the Public Sector with Potential Implications for Financial Reporting**

CPA Australia, the Institute of Chartered Accountants in Australia and the Institute of Public Accountants (the Joint Accounting Bodies) are pleased to respond to the IPSASB Exposure Draft (ED); Key Characteristics of the Public Sector with Potential Implications for Financial Reporting.

The Joint Accounting Bodies represent over 190,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies comments to the two specific matters raised in the ED follow;

**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.**

Financial reporting by the public sector in Australia has been based on the conceptual framework (CF) and accounting standards issued by the Australian Accounting Standards Board (AASB) for some years now. The CF and accounting standards are IASB's Framework for the Preparation and Presentation of Financial Statements and the International Financial Reporting Standards (IFRS) with additional text to deal with the limited cases where there is a need to have additional or different requirements for public sector entities. Australia's regime of standard setting has been based on the principle of transaction neutrality, which means that wherever possible transactions should be accounted for the same way. Exceptions are only made where the circumstances of the public sector and not-for profit sector require them.

One example is AASB 102 – Inventories, where “Aus” paragraphs were inserted to ensure inventories held for distribution by public sector entities are measured at cost adjusted when applicable for any loss of service potential (instead of net realisable value). In addition, to ensure the specific reporting needs of the public sector are met, the AASB have issued additional standards, including AASB 1004 – Contributions, AASB 1049 – Whole of Governments and General Government Sector Financial Reporting, AASB 1050 – Administered Items, AASB 1051- Land Under Roads and AASB 1052 – Disaggregated Disclosures.

**Representatives of the Australian Accounting Profession**



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ACCOUNTANTS

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The characteristics of the Australian public sector are much like those articulated in the ED. We agree the ED provides useful background information on key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting. As supporters of transaction neutrality we would continue to encourage the IPSASB to liaise closely with the architects of the IASB/FASB CF to ensure a sufficiently broad accounting framework whose language can accommodate the key characteristics and reporting needs of the public and private sectors. We consider the ED can be used to further that approach.

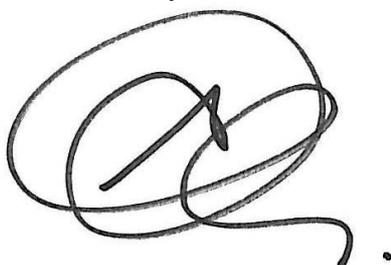
**Do you agree that this document should be included as part of the IPSASB’s literature? If you agree, where do you think the material in this document should be located:**

- (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?**

The Conceptual Framework Exposure Draft issued by IPSASB in December 2010 includes a dedicated section on the reporting entity. Whilst this subsequent ED provides useful background information in understanding the key characteristics of a public sector entity’s financial reporting, we believe that the information should be integrated as part of the Conceptual Framework to demonstrate not only the key characteristics of public sector entities, but also how these characteristics would impact upon the financial (and non-financial) reporting of those entities. It may be possible that such a discussion could be suitably located within the basis of conclusions that form part of the CF.

If you require further information on any of our views, please contact Ram Subramanian, CPA Australia by email [ram.subramanian@cpaaustralia.com](mailto:ram.subramanian@cpaaustralia.com), Kerry Hicks, the Institute of Chartered Accountants by email [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au) or Tom Ravlic, the Institute of Public Accountants by email [tom.ravlic@publicaccountants.org.au](mailto:tom.ravlic@publicaccountants.org.au).

Yours sincerely



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