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C-G Gustavsson	

Comments on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements

The Swedish National Financial Management Authority (ESV) appreciates the opportunity to comment on the Conceptual Framework.

ESV is the government agency responsible for financial management and development of GAAP in the Swedish central government. Full accrual accounting was introduced in 1993 and we hope that our experience will be a contribution in your work with various accounting issues.

Specific Matter for Comment 1

In our opinion the role of the Framework should be to identify relevant factors. In that perspective we find additional factors relevant which we discuss later, see matter 2.

Specific Matter for Comment 2

Even if we see the role of the Framework to identify factors that are relevant in selecting measurement basis we have strong beliefs regarding the choice of measurement basis. In our point of view there is a need for the use of combination of the bases and the approach.

We are of the opinion that the historic cost basis is the most relevant for assets used in the production of goods and services. In our opinion the value should reflect the financial sacrifices connected to the use of an asset, mainly when we talk about non exchange situations, which at least in Sweden is the basic situation in the public sector. These are best reflected in the historical value spread over time with depreciation. Comparability is achieved in the meaning that different circumstances when it comes to really accomplished outlays are reflected. For the purpose of financial position there are possibilities to use complementary information based on for example market value or replacement cost. For price calculations you need not be dependent solely on accounting figures.

We see market value at assets used in the production as a relevant basis for prospective information and for some comparisons but these ends can be achieved with complementary figures. On the other hand market value does not reflect the financial sacrifice. Market value is also to be preferred when it comes to assets held for investment purposes. That is often the same with financial liabilities traded on the market.

In situations where there are no market values replacement cost is a relevant measure.

Finally, deprival value may be relevant when it comes to write-down requirement considerations.

Specific Matter for Comment 3

We believe that the discussion lack the perspective of financial sacrifices as a relevant perspective when it comes to assets used in the production of goods and services.

Specific Matter for Comment 4

Our answer is no to both questions.

Specific Matter for Comment 5

Even if it would be possible to use an asset differently, including selling it, we have the basic assumption that assets are held for production purposes. From that point of view we conclude that taking higher (or lower) sale values into the accounts would not reflect the actual financial sacrifices associated with the assets. We therefore support point a).

Concluding remarks

We hope the comments given will be useful in your continuing work. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards and a framework for financial reporting.

Curt Johansson and Claes-Göran Gustavsson have prepared the comments given in this report.

Yours sincerely,

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