

IPSASB: First Time Adoption of Accruals Basis International Public Sector Standards (ED 53)

Comments from ACCA to the International Public Sector Accounting Standards Board (IPSASB)

17 February 2014

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Further information about ACCA's comments on this matter can be obtained from:

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ACCA welcomes the opportunity to comment on the exposure draft for the first time adoption of accruals based accounts. The views set out in this response reflect those of ACCA's public sector global forum, which includes finance professionals, academics and policy advisors.

SUMMARY

Overall, we are highly supportive of the work of the IPSASB and developments in international public sector accounting standards. We believe that the proposed standard for first time adoption of accruals basis international public sector accounts is a positive step in helping public bodies at the national, regional and local levels to make the transition to IPSAS accruals based accounts. We believe it provides a practical way forward and strips out some of the complexities in the first years of transition, whilst at the same time helping public bodies to prepare accounts based on good quality information.

SPECIFIC COMMENTS

Specific Matter for Comment 1

The objective of the Exposure Draft is to provide a comprehensive set of reliefs to entities that adopt accruals basis IPSASs for the first time.

- (a) Do you agree with the proposed transitional exemptions included in the Exposure Draft?
- (b) Do you believe that IPSASB achieved its goal in providing relief for the first-time adopter in transitioning to accruals basis IPSASs?

Generally we agree with the proposed Standard and the requirement for public bodies to comply with each individual IPSAS on the date of adoption. We also believe that IPSASB's principle based approach is providing helpful support to first time adopters.

The granting of limited transitional exemptions appears to be both a sensible and practical approach, particularly where the costs of complying with specific requirements are likely to exceed the benefits to users of financial statements. Also, we agree that retrospective application of some IPSASs should be prohibited as outlined in the Exposure Draft, especially where the standards require complex judgements to be made by management about past

conditions/circumstances. This will inevitably lead to some of the standards being overridden.

Specific Matter for Comment 2

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of the first time adopter's financial statements and its ability to assert compliance with the accruals basis IPSASs, and those that do.

- a) Do you agree with the proposed differentiation and how it is addressed in the ED; and
- b) Do you agree that the individual categorisation is appropriate?

We agree with the proposed differentiation of transitional exemptions as outlined in the ED 53.

We agree with the individual categorisation and believe that it will help public bodies transitioning to accruals for the first time to focus their efforts on critical areas. It may also mean that they will be better able to prepare financial statements showing fair presentation within a shorter time frame.

Specific Matter for Comment 3

The Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accruals basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.

We believe that a three year exemption period is adequate and should provide ample opportunity for most public sector bodies to deal with issues arising from the transition to IPSAS accruals. Three years is sufficient time to make the necessary changes including, obtaining historical cost information for assets and liabilities, the introduction of new systems and the compilation of comparative data. We do not support an extended time period.