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28th April 2013

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie,

Comments on Conceptual Framework Exposure Draft Two (2) – Elements and Recognition in Financial Statements.

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Exposure Draft two (2) - Elements and Recognition in Financial Statements; issued by the International Public Sector Accounting Standards Board (IPSASB), in November 2012.

We strongly supports the IPSASB's plan to finalise the Conceptual Framework project, as it will provide a framework for the consistent and comparable preparation and presentation of financial statement discussion and analysis in public sector entities' financial statements.

The Institute deliberated the ED and generally agrees with the proposed elements; however we do not fully support the new elements introduced, such as deferred outflows, deferred inflows, ownership contributions and ownership distributions. We are of the view that the new proposed elements should be part of the existing five elements.

Our responses to specific questions are as follows:

Question 1

Do you agree with the definition of an asset? If not, how would you modify it?

Comment

We agree with the proposed definition of an asset as it has covered key attributes (i.e. resource, service potential, economic benefits, control and past event).

Question 2

a) Do you agree with the definition of a liability? If not, how would you modify it?

b) Do you agree with the description of non-legal binding obligations? If not, how would you modify it?

Comment

a) We agree with the proposed definition of a liability. However, we do propose that the definition be extended to cover also deferred outflows.

b) We agree with the description of non-legal binding obligations

Question 3

Do you agree with the definition of revenue? If not, how would you modify it?

Comment

We do not fully agree with the proposed definition. We propose it reads "Revenue is inflows during the current reporting period, which increase the net assets of an entity, other than ownership contributions".

Question 4

Do you agree with the definition of expenses? If not, how would you modify it?

Comment

As per our general response, we do not fully agree with the proposed definition of expenses. We propose it reads "Expense is outflows during the current reporting period, which decrease the net assets of an entity, other than ownership distributions".

Question 5

a) Do you agree with the decision to define deferred inflows and deferred outflows as elements? If not, why not?

b) If you agree with the decision to define deferred inflows and deferred outflows as elements, do you agree with the:

(i) Decision to restrict those definitions to non-exchange transactions? If not, why not?

(ii) Definitions of deferred inflows and deferred outflows? If not, how would you modify them?

Comment

We do not support the proposal to identify and recognize deferred inflows and deferred outflows as separate elements. The proposal would significantly modify the current accounting principles and would negatively impact on the understandability of the financial statements by the users. Further the IFRSs have got five elements of the financial statements, therefore for comparability purpose we propose to maintain five elements also in the IPSASs.

Question 6

a) Do you agree with the terms net assets and net financial position and the definitions? If not, how would you modify the terms and/or definitions?

b) Do you agree with the decision to define ownership contributions and ownership distributions as elements? If not, why not?

c) If you agree with the decision to define ownership contributions and ownership distributions as elements, do you agree with the definitions of ownership contributions and ownership distributions? If not, how would you modify them?

d) Ownership interests have not been defined in this Conceptual Framework. Do you think they should be?

Comment

a) We do agree with the definition of net assets. However the definition for net financial position is not necessary, as we feel deferred inflows and deferred outflows should not be separate elements.

b) We do not agree with the decision to define ownership contributions and ownership distributions as elements, they should be treated as the elements of changes in equity.

c) Refer to our response to question 6 (b) above.

d) We do not consider it necessary to define ownership interests in the conceptual framework.

Question 7

Do you agree with the discussion on recognition? If not, how would you modify it?

Comment

We agree with the proposed recognition criteria.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Modest Hamalabbi
Technical and Standards Manager