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9th December 2014

ZiCA/12/21/7

**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 Consultation paper, the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities.

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Comments on Consultation paper, the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities, issued by the International Public Sector Accounting Standards Board (IPSASB) issued on 17th August 2014, with the comment period closing on 31st December, 2014.

As pointed out in paragraph 3.18 the objectives of financial reporting and the primary users of financial reports differ for entities that have primarily a service delivery objective and those that are primarily profit-oriented. The inappropriate classification of a public sector entity can lead to the application of financial reporting standards that may include unsuitable requirements. This can impair the quality of the financial information for users and, therefore, undermine the ability of the information to meet the objectives of financial reporting. We therefore, commend the IPSASB on its efforts towards developing this consultation paper so that guidance could be provided to users

The Institute deliberated the ED and our responses to specific questions are as follows:

Question 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

Comment

We do agree with the IPSASB's preliminary view that approach 1, and more specifically sub-option 1a, is most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. The recommended approach is consistent with the approach taken by the IASB for profit-oriented entities.

The Institute believes that the best approach is for the IPSASs to not define a GBE but to instead describe the characteristics of public sector entities for which IPSASs are intended, using the IPSASB's current and developing terminology.

We further support Option 1a because it is a high level, principles-based approach that draws on the Conceptual Framework. In addition it acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.

Therefore, the proposed approach is the way to go.

Question 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

Comment

See our comments to question one (1).

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

Yours faithfully

FOR/SECRETARY AND CHIEF EXECUTIVE OFFICER

Chansa A Chiteba

DIRECTOR STANDARDS & REGULATION