



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)

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Registrar/Chief Executive
JOHN .I. EVBODAGHE, MBA, FCA

January 14, 2018

ICAN/R&T/ED/JAN/14/i/2018

The Technical Director
IPSASB-IFAC
529 Fifth Avenue, New York
NY 10017
USA

Dear Sir,

**RE: COMMENTS ON PROPOSED INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARD – ACCOUNTING FOR REVENUE AND NON-
EXCHANGE EXPENSES**

The Institute of Chartered Accountants of Nigeria (ICAN) has considered the above named Exposure Draft and is pleased to submit comments as follows:

Preliminary View 1 (following paragraph 3.8)

*The IPSASB considers.....Do you agree with the IPSASB's Preliminary view 1?
If not, please give your reasons.*

Response

Yes, we agree. Since category C transactions are revenue transactions arising purely on commercial terms, they should be aligned with the provisions of IFRS 15.

Preliminary View 2 (following paragraph 3.9)

Because Category A.....Do you agree with the IPSASB's Preliminary view 1? If not, please give your reasons.

Response

Yes, we agree, since Category A revenue transaction do not contain any performance obligations or stipulations, they fall under non-exchange transactions as currently defined by IPSAS 23. Therefore, any future update of IPSAS 23 as a result of reflecting consequential amendments by issuing new standard on revenue based on IFRS 15 provisions should be captured in the updated IPSAS 23.

Specific Matter for Comment 1 (following paragraph 3.10)

Please provide details.....guidance you believe is needed

Response

One of the issues we have encountered in applying IPSAS 23 in Nigeria is on the treatment of counterpart fund. Counterpart fund is a fund set aside by the Federal Government placed in the custody of its relevant agency for onward disbursement to the beneficiary State and Local government, subject to the provision of a matching or equivalent fund by that beneficiary State or Local government for the accomplishment of a complete project objective. The fund is only given to the beneficiary State/local government after they have paid their own fund obligation to that agency.

The transaction from the perspective of the custodian agency is as to whether to report the counterpart fund from the Federal Government as a revenue (as being currently treated in Nigeria) in its statement of financial performance or as a liability. The IPSAS 23 to be updated should give clear guidance on the reporting of counterpart fund in the scenario.

Preliminary View 3 (following paragraph 4.64)

The IPSASB considers.....Do you agree with the IPSASB's Preliminary view 3? If not, please give your reasons.

Response

Yes, we agree that the public sector performance obligation approach should be used in accounting for category B transactions. This will ensure effectiveness and efficiency in public financial management especially in developing economies.

Specific Matter for Comment 2 (following paragraph 4.64)

The IPSASB has proposed.....Do you agree with the proposals on how each of the IFRS 15 five-steps could be broadened? If not, please explain your reasons.

Response

Yes, we agree with the proposal on how each of the 5 steps under IFRS 15 could be broadened. The extensions in the proposal reflect peculiarities associated with the public sector.

Specific Matter for Comment 3 (following paragraph 4.64)

If the IPSASB were to.....Please explain your reasons

Response

We would recommend option (e) – Recognise transfer with time requirements in net assets/equity and recycle through the statement of financial performance. This enables the matching of revenue transactions by public sector entities with the rendering of performance obligations associated with such revenue. It also enables transparency in tracking how such revenue initially recognized in net assets/equity are released through the statement of financial performance on fulfilling the obligation.

This option brings category B transaction treatment of revenue close to the principle of paragraph 82a of IAS1 on other comprehensive income session.

Specific Matter for Comment 4 (following paragraph 4.64)

Do you consider.....Please explain your reasons

Response

- (a) Yes. Our basis is that provision of additional guidance on making the exchange/non exchange distinction together with option (e) would provide fuller information to the reader of entity's financial statement on the policy guiding the recognition and presentation of exchange and non exchange transactions in their financial statements.

Preliminary View 4 (following paragraph 5.5)

The IPSASB considers.....if not, please give reasons

Response

Yes, we agree. Having accounting for capital grant explicitly addressed within IPSAS will provide clarity and ensures better financial statement.

Specific Matter for Comment 5 (following paragraph 5.5)

- (a) *Has the IPSASB.....please identify them*
(b) *Do you have.....please explain your issues and proposals*

Response

- (a) No other issues
(b) No proposals

Specific Matter for Comment 6 (following paragraph 5.9)

Do you consider.....please identify that approach and explain it

Response

We consider that the IPSASB should modify requirements to require services in-kind that meet the definition of an asset to be recognized in the financial statements provided that they can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information. This approach would enable uniform reporting of economic benefits received by public sector entities.

Preliminary View 5 (following paragraph 6.37)
The IPSASB is of.....if not, please give your reasons

Response
Yes, we agree.

Preliminary View 6 (following paragraph 6.39)
The IPSASB is of.....if not, please give your reasons

Response
Yes, we agree.

Preliminary View 7 (following paragraph 6.42)
The IPSASB is of.....if not, please give your reasons

Response
Yes, we agree. This will create Consistency in non-exchange revenue and non-exchange expenses reporting.

Preliminary View 8 (following paragraph 7.18)
The Board considers.....if not, please give your reasons

Response
Yes, we agree with preliminary view 8. This option enables the recognition of legal or statutory amount receivable from provider of resources i.e.it is in accordance with the law of the entity's jurisdiction.

Preliminary View 9 (following paragraph 7.34)
The IPSASB is of.....if not, please give your reasons

Response
Yes, we agree with Preliminary View 9. Since non-contractual receivables are financial instruments, it would be logical to subsequently measure them at fair value in line with IPSAS 29 just as similar financial instrument at subsequent measurement.

Specific Matter for Comment 7 (following paragraph 7.46)

For subsequent measurement.....Please explain your reasons

Response

Yes, we support the Hybrid Approach. This approach provides a wider framework for reporting non-contractual payables whether there is certainty or uncertainty in timing and/or amount of the payables. This would enable public sector entity to appropriately report all categories of non-contractual payables.

We thank the Board for the opportunity given to our Institute to contribute to this proposed standard.

Yours faithfully,
for: Registrar/Chief Executive



Ben Ukaegbu, PhD, ACA
Deputy Registrar, Technical Services