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February 14, 2014

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

Dear Ms. Fox:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on its October 2013 exposure draft (ED) entitled *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the ED and has some general comments. We have also provided answers to the specific matters for comments. The FMSB agrees with the IPSASB's conclusion that the first time adoption of the accrual basis of accounting in accordance with the IPSASB standards is a complex process that requires consideration of the cost/benefits of such a transition as well as adequate time to fully implement the IPSASB's standards. The FMSB agrees with the position of the ED that requires an entity to comply with each effective IPSAS on the date of adoption, but allows some limited exemptions from requirements in certain areas where the cost of complying would be likely to exceed the benefits to users of financial statements. This provision should allow entities considering the change to the accrual basis of accounting to make reasonable judgments during the transition process that both will ease the transition and allow the entity to realize the full benefits of accrual accounting in the future. We believe the three year transition period is necessary and reasonable. We also support the provision that allows an entity the option to implement some changes at an earlier stage, when appropriate.

The FMSB also supports the disclosure requirements in paragraphs 126 through 142 of the ED. The suggested disclosures are comprehensive and should provide



for the complete and adequate disclosure of the entity's plan for transitioning to the accrual basis of accounting as well as provide for the reconciliation of beginning balances to the prior basis of accounting. Such disclosures are essential, in the view of the FMSB, to informing the users of the financial statements. We believe that the IPSASB has provided for adequate disclosures in the ED. The ED also prohibits retrospective application of IPSASs in some areas, particularly where retrospective application would require judgments by management about past conditions. We agree with this provision as well.

Following are the FMSB's comments on the three specific matters for comment contained in the ED. The FMSB has also submitted some editorial suggestions under separate cover for the IPSASB's consideration.

Matter for Comment 1:

The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs for the first time.

(a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and

The FMSB agrees with the proposed transitional exemptions included in the Exposure Draft. The transitional exemptions appear to be both reasonable and necessary for first time adopters that are in the process of transitioning to IPSASB accrual basis standards.

(b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs?

The FMSB agrees that the IPSASB has achieved its goal of providing appropriate relief to a first-time adopter in transitioning to the accrual basis standards of the IPSASB. Such a transition is complex and requires that management make sound and appropriate judgments regarding accounting matters. Providing a transition period of three years will allow time for such judgments to occur.

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 a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and

The FMSB agrees with the approach taken by the IPSASB regarding the ability to assert compliance with the accrual basis of accounting in accordance with IPSASB standards. The overall objective of the transition is to provide a fair presentation in accordance with IPSASB standards and this approach emphasizes the substance of the matter over the form. We agree with this approach.

(b) Do you agree that the individual categorization is appropriate?

The FMSB agrees with the categorization.

Matter for Comment 3:

This 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 accrual 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.

The FMSB agrees that a relief period is appropriate for the recognition and/or measurement of specific assets and/or liabilities for a first-time adopter. A three year transition period will allow an entity time to make the necessary changes to its accounting policies and procedures, train staff and modify accounting systems. The three year period allowed by the IPSASB appears reasonable and we have no basis to suggest either a longer or shorter period.

We would like to thank you for allowing us to submit our comments to the exposure draft. Should there be any questions regarding our comments, please contact Steven Sossei at ssossei@agacgfm.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Berman', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair
AGA Financial Management Standards Board

cc: Mary Peterman, CGFM, CPA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

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