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Maria Olsson	

Comments on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, Exposure Draft 2:

Elements and Recognition in Financial Statements

The Swedish National Financial Management Authority (ESV) appreciates the opportunity to respond to the International Public Sector Accounting Standards Board's Exposure Draft 2 entitled Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements.

ESV is the government agency responsible for financial management and development of GAAP in the Swedish central government

Specific Matter for Comment 1

Do you agree with the definition of an asset?

We agree with the definition of an asset.

Specific Matter for Comment 2

Do you agree with the definition of a liability?

We agree with the definition of a liability. However the terms legal and non-legal obligations need to be interpreted in the context of the public sector. The government has the sovereign power to repudiate obligations and can also regulate a subordinate entity's activity. We believe that if the government regulates a future activity to a subordinate entity it also has a responsibility for their finance (eg. by future taxes). If standards don't consider fundamental characteristic circumstances as the power to repudiate obligations within the public sector many future activities could be an obligation and meet the definition of a liability, despite the government being able to avoid settling the obligation.

Specific Matter for Comment 3

Do you agree with the definition of revenue?

We generally agree with the definition of revenue. However we think the terms exchange versus non-exchange transaction should be defined in the Conceptual Framework as the latter is a specific and important accounting term for the public sector.

Specific Matter for Comment 4

Do you agree with the definitions of expenses?

We agree with the definition of expenses.

Specific Matter for Comment 5

a) Do you agree with the decision to define deferred inflows and deferred outflows as elements?

We agree with the decision to define deferred inflows and deferred outflows as elements. We see advantages with the proposed solution but we believe, in order to achieve a comparable and harmonized financial reporting, there is a need to clarify when deferred outflows of resources and deferred inflows of resources should be recognized and how they should be measured. We also note that there might be difficulties with demarcations with items that consist of both exchange and non-exchange elements.

b) Do you agree with the decision to restrict those definitions to non-exchange transactions?

We agree with the decision to restrict those definitions to non-exchange transactions.

Specific Matter for Comment 6

a) Do you agree with the terms net assets and net financial position and the definitions?

We do not see the need for the distinction between net assets and net financial position. We believe this information, when it is important, can in some cases be obvious from the information in the statement of financial position or otherwise be shown in note disclosures.

b) Do you agree with the decision to define ownership contribution and ownership distributions as elements?

We agree with the decision to define ownership contribution and ownership distributions as elements. However we believe another term than “owner” should be used within the public sector.

c) Do you agree with the definitions of ownership contributions and ownership distributions?

We agree. We find it very important to give a definition and clarify whether a transaction is an ownership contribution or an ownership distribution in order to obtain consistency among the reporting entities.

d) Ownership interest has not been defined in the Conceptual Framework. Do you think they should be?

We believe that ownership interest should be defined in the conceptual framework.

Specific Matter for Comment 7

Do you agree with the discussion on recognition?

We agree with the discussion on recognition. However we believe that the terms exchange revenue and non-exchange revenue should be defined in the conceptual framework.

Concluding remarks

We hope the comments given will be useful in your continuing work. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards and a framework for financial reporting.

Senior Advisors Maria Olsson, Anne-Marie Ögren, Curt Johansson and Ingemar Härneskog have prepared the comments given in this report.

Yours sincerely,

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