

Conceptual Framework Exposure Draft 2

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements of Recognition in Financial Statements

Comments from ACCA
22 April 2013

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Further information about ACCA's comments on this matter can be obtained from:

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ACCA welcomes the opportunity to comment on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements. The ACCA Global Forum for the Public Sector has considered the matters raised and their views are represented below.

SUMMARY

ACCA is supportive of the development of a conceptual framework for public sector accounting standards as set out in our previous correspondence. We also welcome the IPSASB making the completion of the framework a priority in 2013/14.

On the whole we agree with the definitions and terms set out in the Exposure Draft (ED) with one suggestion for improvement as highlighted in specific comment 2.

SPECIFIC COMMENTS

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

We agree with the definition of an asset and we agree that control is an important criterion by which assets and liabilities are recognised. However, the issue of control is a long standing issue. For example, in the UK the NAO's definition of control is different to that of the treasury, especially in relation to what constitutes a public and non-public asset. Also, there is an issue of many years before a temporary transaction transpires to be a more permanent asset/liability. Given both sets of circumstances we believe that it is important for IPSASB to address the issue of 'control' within the conceptual framework.

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?

We agree with the definition of what constitutes a liability. However, we believe that the definition should be broadened to include 'provisions' as

this would capture items where only best estimates of future expense can be determined. In some countries 'provisions' represent a significant proportion of liabilities. For example, the Whole of Government Accounts for the UK (2010-2011) makes significant provisions for items such as clinical negligence claims, nuclear decommissioning costs and legal cases etc.

We agree with the description of non-legal binding obligations.

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

Agree.

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

Agree.

- 5. (a) Do you agree with the decision to define deferred inflows and 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?**

We agree with the definition of deferred inflows and deferred outflows and for them being classified as separate 'elements' within the ED. In our view this will help avoid confusion for the user of financial statements, as well as increase financial transparency.

- 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 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?

We agree with the proposed terms and definitions.

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

Agree.