

7 June 2012

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO ONTARIO CANADA M5V 3H2

Email: stepheniefox@ifac.org

Dear Stephenie

Consultation Paper – Presentation in General Purpose Financial Reports

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Consultation Paper – Presentation in General Purpose Financial Reports. CPA Australia, the Institute of Chartered Accountants and the Institute of Public Accountants (the Joint Accounting Bodies) have considered the proposals and our comments follow.

The Joint Accounting Bodies represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

In our earlier submissions on the different phases of the IPSASB conceptual framework we have consistently stated our preference for an international reporting framework comprised of a single set of concepts designed for application to all sectors and encouraged the IPSASB to maintain dialogue with the International Accounting Standards Board (IASB)/Financial Accounting Standards Board on conceptual framework topics.

There is much that is commendable about the IPSASB's decision to expose its thinking on this important topic prior to it being addressed by the IASB. However, given the comments from a speech made by Hans Hoogervorst in March 2012 that the IASB has both the completion of its conceptual framework and a review of disclosure requirements high on its agenda we encourage the IPSASB to closely monitor the work by the IASB in this area. While acknowledging the final frameworks of the IPSASB and the IASB will not have a common scope we consider working in isolation on this project has the potential to result in a significant divergence in the frameworks of the IPSASB and the IASB as they apply to general purpose financial statements. Any divergence may prove problematic for transaction neutral jurisdictions like Australia, especially where such jurisdictions choose to maintain the approach of one set of accounting standards and at the same time ensure that international investors understand that the financial statements of for-profit entities accord with the International Financial Reporting Standards.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au



IPA INSTITUTE OF PUBLIC
ACCOUNTANTS

publicaccountants.com.au

The Appendix to this letter contains our response to the questions for comment. If you require further information on any of our views, please contact Mark Shying, CPA Australia by email mark.shying@cpaaustralia.com, Kerry Hicks, the Institute of Chartered Accountants by email kerry.hicks@charteredaccountants.com.au or Tom Ravlic, the Institute of Public Accountants by email tom.ravlic@publicaccountants.org.au.

Yours sincerely



Alex Malley
Chief Executive Officer
CPA Australia Ltd



Lee White
Chief Executive Officer
Institute of Chartered
Accountants in Australia



Andrew Conway
Chief Executive Officer
Institute of Public Accountants

General comments

There is much that is commendable about the IPSASB's decision to expose its thinking on this important topic prior to it being addressed by the IASB. However, given the comments from a speech made by Hans Hoogervorst in March 2012 that the IASB has both the completion of its conceptual framework and a review of disclosure requirements high on its agenda we encourage the IPSASB to closely monitor the work by the IASB in this area. While acknowledging the final frameworks of the IPSASB and the IASB will not have a common scope we consider working in isolation on this project has the potential to result in a significant divergence in the frameworks of the IPSASB and the IASB as they apply to general purpose financial statements. Any divergence may prove problematic for transaction neutral jurisdictions like Australia, especially where such jurisdictions choose to maintain the approach of one set of accounting standards and at the same time ensure that international investors understand that the financial statements of for-profit entities accord with the International Financial Reporting Standards.

Specific Matter for Comment 1 (See paragraphs 2.1 to 2.18)

With respect to the descriptions of “presentation”, “display”, “disclosure”, “core information”, and “supporting information”, and the proposed relationships between these terms:

- a. Do you agree that the proposed descriptions and relationships are appropriate and adequate?**

We appreciate the necessity of the IPSASB's efforts to construct a concept of presentation that extends beyond financial statements to general purpose financial reports. However we are concerned that the modification of long-established terminology such as 'presentation' and 'disclosure' may cause confusion. We also do not consider the term 'display' to be a useful addition to the discussion. We found Diagram A at section 2.15 of the Consultation Paper a useful representation of the relationships between the terms. For General Purpose Financial Statements the dichotomy of information as core (display is on the face of the financial statements) and supporting (disclosure is in the notes to the statements) is appropriate. However, this dichotomy is less effective when applied to Other (more comprehensive scope) information, as the determinant of whether such information is core or supporting will depend on professional judgement. The lack of usefulness of the dichotomy is evident in Diagram A where no distinction is made between information displayed as core and displayed as supporting under the heading of 'other information'. We encourage the IPSASB to look again at the usefulness of these two descriptions. It may be necessary to provide specific examples of 'other information' to substantiate the dichotomy of 'core' and 'supporting'.

- b. Do you agree that identification of core and supporting information for GPFRs should be made at a standards level rather than as part of the Conceptual Framework?**

No we disagree. We think it important that the Framework includes principles of core and supporting alongside a presentation objective.

Specific Matter for Comment 2 (See paragraphs 3.1 to 3.12)

With respect to the IPSASB's approach to presentation of information:

- a. Do you agree with the development of presentation concepts that can be adopted for the more comprehensive scope of GPFRs including, but not restricted to, financial statements?**

Yes we agree. Having decided to develop a Framework that reflects a scope for financial reporting that is more comprehensive than that encompassed by financial statements and their notes, it is important that the IPSASB develop presentation concepts suitable for this broader scope.

- b. Do you agree with the approach of (i) focusing on user needs to identify presentation objectives, (ii) application of the qualitative characteristics (QCs) to presentation decisions, and (iii) separate presentation concepts?**

We agree with the perspective that user needs are critical to presentation decisions as set out in approach (i). However we do not agree that this approach excludes the development of presentation objectives only at the standard level approach. As existing and past financial statement reporting conceptual frameworks contain little or no discussion of the presentation concept (display and disclosure), users of the finalised IPSASB conceptual framework will not have the benefit of past experience. Therefore, we can understand why some commentators will see benefit in the approach in (ii) application of the qualitative characteristics (QCs) to guide presentation requirements. However, we question the need for this level of detail about QCs in a chapter on presentation as it is our expectation that the completed structure of the finalised framework comprises a set of chapters that operate together. We agree that the direct application of the QCs is more reliable than the use of an intermediate set of presentation concepts. We do not agree with the approach in (iii) separate presentation concepts.

Specific Matter for Comment 3 (See paragraphs 4.1 to 4.5)

This CP discusses the importance of developing presentation objectives as part of standard setting.

- a. Do you agree that presentation objectives should be developed?**

Yes we agree that presentation objectives should be developed.

- b. If so, in your view, should they be developed at a standards level, or as part of the Conceptual Framework?**

We believe the Framework is the appropriate place to articulate a presentation objective and we believe the material in section 4 is appropriate to include in the Conceptual Framework. We can understand why some commentators will see benefit in the approach as set out in approach (ii) above at Comment 2b. However, we do question the need for this level of detail about QCs in a chapter on presentation. While we also believe the information contained in section 5 describing the relationship of the QCs to Presentation is useful we believe it may be too detailed to include in the main framework of concepts.

This could be provided as guidance material.

Specific Matter for Comment 4 (See paragraphs 6.1 to 6.27)

This CP proposes three presentation concepts. Please provide your views on these concepts, in particular whether:

- a. Any of these concepts should be excluded from the Conceptual Framework; and**
b. The description of each concept could be improved and, if so, indicate how.

We do not agree with the detailed information contained in section 6 under the heading of presentation concepts being included in the Conceptual Framework.

Specific Matter for Comment 5 (See paragraphs 6.1 to 6.27)

In addition to the three concepts proposed in Section 6, please provide your views on:

- a. Whether there are further concepts that should be included in the Conceptual Framework; and**
b. What those further concepts should be.

We are not aware of any other concepts.

Specific Matter for Comment 6 (See paragraphs 6.12, 6.17, 6.24, and 6.27)

Each presentation concept refers to the possibility of developing criteria to determine the presentation techniques to be used in setting accounting standards. Please provide:

- a. Your views on whether it would be useful and workable for the IPSASB to apply such techniques; and**
- b. Any suggestions you have for developing these techniques.**

We believe the level of detail contained in Section 6 is too detailed and not necessary.