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Paris, October 17, 2014

Ms Stephenie Fox  
Technical director  
International Public Sector Accounting  
Standards Board  
International Federation of Accountants  
277 Wellington Street, 4th floor  
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Ontario M5V 3H2 CANADA

**Re: The Applicability of IPSASs<sup>TM</sup> to Government Business Enterprises and Other Public Sector Entities**

Dear Ms Fox,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Consultation Paper *The Applicability of IPSASs<sup>TM</sup> to Government Business Enterprises (GBEs) and Other Public Sector Entities* published in August 2014.

We commend the IPSASB for the proposed analysis and for the description of the two approaches discussed in the Consultation Paper.

While we understand the IPSASB's will to take on the responsibility to insure transparency about the types of entities to which IPSASs should apply, we note that, in France, the law, or other legislative text (decrees, etc.), requires the use of public sector accounting principles for general government entities with very few exceptions and border line cases.

As to the approach retained in the Consultation Paper, we think that characterising public sector entities with a view to identify those entities that should apply IPSASs is a more positive way forward than defining GBEs in order to state that they are entities that should not apply IPSASs.

Therefore, we believe that approach 1 is the relevant path forward. It also paves the way to what is to us a fundamental approach in public sector accounting standard-setting: that of identifying those specificities of the public sector that may entail departures from the private sector accounting standards.

In addition, we observe that option 1a *Using IPSASB's current and developing terminology* is the approach that reflects best current practice in France as it leaves room for regulators and relevant authorities to decide on border line cases.

For the reasons above, we concur with the IPSASB's preliminary view that approach 1, and more specifically sub-option 1a, is most appropriate.

Because the comments requested are of a choice between the two approaches set out in the Consultation Paper, we did not feel the need to specifically answer specific matter for comment 2. Details of our response to specific matter for comment 1 are set out in the appendix.

Yours sincerely,

Michel Prada

## APPENDIX

**Question 1:** *Do you agree with the IPSASB's Preliminary View (PV)? If so, do you prefer Option 1a or Option 1b? Please, give the reasons for your view.*

In France, the law, or other legislative text (decrees, etc.), requires the use of public sector accounting principles for general government entities. Very few entities that would meet the characteristics of public sector entities may be required, in some specific instances, to use the private sector set of standards in application of the law. This is often a heritage from ancient times and historic rules that may take some time to overcome. While those borderline cases do not represent the majority of cases within the public sector, we are of the opinion that some flexibility is still needed to allow regulators and relevant authorities to make decisions with respect to the accounting standards that are required to be applied. This leads us to favour option 1a.

Another reason for our preference for option 1a over option 1b is that, while we believe that the scope of public sector accounting standard-setting should mirror that of the general government sector in GFS, we would be concerned in choosing option 1b that accounting standards would introduce terms that specifically serve the purpose of statistical reporting rather than that of financial reporting. Unless those terms are to be further used to depict operations that fall under the scope of other accounting standards, we would be reluctant to introduce them in a description of characteristics of entities that may apply IPSASs. In our opinion, introducing those terms does not help classifying entities as public sector, even more so that regulators and relevant authorities may decide for a different classification. For those reasons, we would still favour option 1a in that it would remain principles-based and still converge with GFS.

Also, given that what will become of the current definition of GBEs in IPSAS 1 *Presentation of Financial Statements* is not addressed in the Consultation Paper, we wonder whether that definition will be merely removed and replaced with the proposed characteristics should option 1 be retained. Because we think that the previous attempt at defining GBEs is nonetheless useful guidance, though not self-sufficient, we would be grateful if the IPSAS Board could provide clarification as to what it is intended to become of that definition. We would encourage the Board to maintain a reference to that definition in the Basis for Conclusions.

In addition, from the viewpoint of consistency with IFRSs, we are of the view that option 1 would be better articulated with the *Preface to IFRSs* where the focus is on profit-oriented entities that are described rather than defined.

Lastly, we would like to remind the IPSAS Board that, to us, it is critical at some point in the near future that it should address the issue of the difference between the scope of consolidation and that of the general government sector. In our opinion, IPSAS 22 *Disclosure of Financial information about the General Government Sector* does not fully deal with the issue. We think that mere reconciliations between consolidated accounts and information from the General Government Sector fail to provide useful financial information to users on the public sector as a whole, even more so since applying IPSAS 22 is not mandatory. Therefore, we would encourage the IPSAS Board to engage in a comprehensive research on the issue of financial information for users drawn from aggregating public sector entities versus consolidating controlled entities.

**Question 2:** *If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.*

Please, refer to the cover letter.