

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Commentary individual

Rio de Janeiro / Brazil

Sir

Chair and Steering Committee

IPASB Technical Director

International Public Sector Accounting Standards Board Conceptual Framework

International Federation of Accountants

277 Wellington Street West, 6th Floor

Toronto, Ontario M5V 3H2 CANADA

15 June 2011

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

I'm Denise Juvenal this is pleased to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS. The conceptual framework for general purpose financial reporting by public sector entities considering the development of countries and jurisdictions, with different political systems, different forms of government and different institutional and administrative services. I agree with this proposal and I think that is very important this study.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this CP. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale. The Specific Matters for Comment requested in the CP are provided below.

Specific Matter for Comment 1:

(a) Should the definition of an asset cover all of the following types of benefits—those in the form of:

- (i) Service potential;**
- (ii) Net cash inflows; and**
- (iii) Unconditional rights to receive resources?**

(b) What term should be used in the definition of an asset:

- (i) Economic benefits and service potential; or**
- (ii) Economic benefits?**

In this Draft, item 2.2, described that “Assets of a government or other public sector entity are a key element of the entity’s financial position. The recipients of goods and services and providers of resources (financial statement users) are interested in assessing whether the entity’s assets are managed efficiently and effectively in providing public goods and services. Asset definition and recognition therefore also play an important role in reporting on financial performance. Users seek to understand the effects of decisions to retain, use, or sell the entity’s resources on current and future resources available to provide public goods and services.”

I think that definition will be related with structure defined for ICAEW (2011, 22) because the use or not the information about point 2.13 – 2.22 (i) Service potential; (ii) Net cash inflows; and (iii) Unconditional rights to receive resources.

I don’t know if have impact about what’s to register in the financial reporting, as described in the point 2.3 and 2.4 about the substance of an asset; How to determine if it is an asset of the reporting entity; and How to determine if it is an asset at the reporting date, these aspects is related in the use of activities and applicability of transparency and clarified for due process.

The economic benefits described as “These benefits are sometimes described as “economic,” but use of this term can be problematic. If by “economic” the notion of scarcity is conveyed, then the term is more likely to be appropriate. However, if by “economic” the notion of profitability or cash benefit is conveyed, then the term is not likely to be useful in the public sector context. This use of the term fails to encompass non-cash generating resources that are nonetheless critical to a faithful representation of the operating capacity of public sector entities” point 2.8 of Exposure Draft.

I think that non appropriate for used in the definition for assets, are different, the principal point will be defined and your structure cannot be for used for FASAB for accounting for the net position of a federal entity. I have doubt about this definition I observed that will be similar for aspects integrated that the government and nonprofit entities used in practice, if have some problems I suggest makes consulting in the others regulators for government.

Some definitions that will be observed, for example:

- ICAEW (2011, 22) defined “Assets with element has definition as: a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.”
- Kearney et al (2006, 108) comments that “Assets are defined as tangible or intangible items owned by the federal government that could have probable economic benefits that can be obtained or controlled by the federal entity. These assets include cash, investments, real and personal properties, and also claims of the federal entity against nonfederal entities or parties (e.g. accounts receivable, investment receivable and amounts due from federal advances and advances or prepayments to these nonfederal entities or parties) With some exceptions, assets are initially recorded as purchased costs or donated values.
- Benedict et al (2008, 49) assets are defined as economic resources acquired and controlled by the business and from which the business will obtain future benefit. As time passes, the amount of the future benefit might be reduced so that the amount recorded as an asset might also be reduced.

Specific Matter for Comment 2

(a) Which approach do you believe should be used to associate an asset with a specific entity:

(i) Control;

(ii) Risks and rewards; or

(iii) Access to rights, including the right to restrict or deny others’ access to rights?

(b) Does an entity’s enforceable claim to benefits or ability to deny, restrict, or otherwise regulate others’ access link a resource to a specific entity?

(c) Are there additional requirements necessary to establish a link between the entity and an asset?

I think that used to associate an asset with a specific entity will be have control, risks and rewards, these are control, is very important for public entities, but I have doubt about used for access to rights, when comments about restrict, deny I have doubt, principally in how’ll make control for this, how’s function of auditing for this application.

In the point 2.38 “In addition to being able to access benefits, the entity must also be able to control others’ access to them by denying, restricting, or otherwise regulating their access. One standard setter illustrates this by contrasting the examples of outer space and natural resources under government land. The government can obtain benefits from using the outer space resource, but it is not an asset of the government because the government cannot restrict or regulate the access of others. The government also has the benefits of the natural resource under government land, but, in this case, the entity is able to regulate and restrict the access of others to the benefits. In this latter example, the natural resource might qualify as an asset of the government.” I didn’t understand of the use of why access benefits, for the government and your structure isn’t used public information for control is very important observed if this point makes some impact as internal laws and rules for local or federal public entities, this point is very difficult for understanding, transparency and clarified of use of governmental information. The IPSAS will be observed others internal information about this subject.

Specific Matter for Comment 3

Is it sufficient to state that an asset is a “present” resource, or must there be a past event that occurs?

In the point 2.47 I don’t know if for the government is most useful this specific point, generally past events don’t included in the budget, in the financial reporting I don’t know if is practical for the public sector this is very important for the companies that this resource. This idea is related with point 2.52 “... This view depends only on the condition that the rights to the benefits exist at the reporting date. It does not require a past transaction or event to have occurred to crystallize the rights as an asset”.

Specific Matter for Comment 4

Recognition and measurement criteria aside, are public sector entity rights and powers, such as those associated with the power to tax and levy fees, inherent assets of a public sector entity, are they assets only when those powers are exercised, or is there an intermediate event that is more appropriate?

I think that this point is better discussed when finished discussion Exposure Draft 1 for IPSAS.

Specific Matter for Comment 5

(a) Are there any additional characteristics that have not been identified that you believe are essential to the development of an asset definition?

(b) Are there other relevant issues, and particularly unique public sector considerations, that the IPSASB needs to consider in determining the concept of assets?

I observed that the IPSASB will be have a space for new characteristics for don't have problems, because the IFAC don't has responsibility for described every situations, is very important specific this point for users of the IPSASB, I think this, I don't know. I think that proposal cannot included these questions, isn't responsibility of IPSASB-IFAC.

Specific Matter for Comment 6

(a) Should the definition of a liability cover all of the following types of obligations?

(i) Obligations to transfer benefits, defined as cash and other assets, and the provision of goods and services in the future.

(ii) Unconditional obligations, including unconditional obligations to stand ready to insure against loss (risk protection).

(iii) Performance obligations.

(iv) Obligations to provide access to or forego future resources.

(b) Is the requirement for a settlement date an essential characteristic of a liability?

This comments is similar for Assets (comments 1) I think that the concepts for used for Assets will be used for Liabilities included observations, used for transparency, clarified of used IPSASB, laws, regulations and jurisdictions.

Kearney et al (2006, 108) comments that FASAB and Office Management and Budget define a federal liability as a probable and measurable future outflow of resources arising from past transactions or events. The liabilities grouping of accounts include an enormity of transactions and events, such as accounts payables, end-of-period accrued liabilities, federal commitments and guarantees legally assumed or entered into, contingencies, damages from litigious proceedings, and so on."

ICAEW (2011, 22) defines liability as: "a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of an entity's resources."

Specific Matter for Comment 7

(a) Should the ability to identify a specific party(ies) outside the reporting entity to whom the entity is obligated be considered an essential characteristic in defining a liability, or be part of the supplementary discussion?

I think that is very difficult ability a specific party outside the reporting entity, the regulations and jurisdictions of each country can be problem for your application as essential characteristic, the IFAC – IPSASB will be observed the point 2.38 of this exposure draft.

(b) Do you agree that the absence of a realistic alternative to avoid the obligation is an essential characteristic of a liability?

I agree, but this point isn't responsibility of the IFAC-IPSASB can be used as practice statement not IPSASB, I think this, I don't know.

(c) Which of the three approaches identified in paragraph 3.28 do you support in determining whether an entity has or has not a realistic alternative to avoid the obligation?

The point 3.28 comments that “The absence of a realistic alternative to avoid the obligation is another potential essential characteristic in developing the link between the entity and the obligation as: (a) Enforceable contractual, constructive, and equitable obligations. (b) Enforceable contractual, constructive, and equitable obligations and other constructive and equitable obligations associated with exchange transactions. (c) Enforceable contractual, constructive, and equitable obligations and all other constructive and equitable obligations from which the public sector entity cannot realistically withdraw.” The realistic alternative to avoid the obligation, this question is very complexity, because included some comments the question 6 principally for contingencies, transparency in the use in the financial reporting, and clarified in relation the information used for public sector.

I have doubt in relation a choose, I think that letter b is better, but I don't have certain if public sector entity cannot realistically withdraw. What's definition for realistic for IFAC-IPSASB, I think that is necessary for development this IPSASB.

Specific Matter for Comment 8

Is it sufficient to state that a liability is a “present” obligation, or must there be a past event that occurs?

In the point 3.42 I know that this point is very important for the government but this method isn't useful for this specific point, generally present events or present value

don't included in the budget, in the financial reporting. I don't know if is practical for the public sector this is very important for the companies that this resource. This idea is related with point too, 2.52 "... This view depends only on the condition that the rights to the benefits exist at the reporting date. It does not require a past transaction or event to have occurred to crystallize the rights as an asset" as point 3.43 "This issue is particularly relevant in the case of executory contracts, where the reporting entity may enter into a non-cancellable obligation—suggesting a present obligation, but the other party has material unperformed obligations—suggesting a future obligation".

Specific Matter for Comment 9

(a) Recognition and measurement criteria aside, are public sector entity obligations such as those associated with its duties and responsibilities as a government, perpetual obligations, obligations only when they are enforceable claims, or is there an appropriate intermediate event that is more appropriate?

I think that isn't appropriate intermediate event can be occurred some problems for control and transparency for the entity of public sector. I think that this point is better discussed when finished discussion Exposure Draft 1 for IPSAS.

(b) Is the enforceability of an obligation an essential characteristic of a liability?

The enforceability of an obligation is most important not essential, I think. This point can be considerable with don't have control and transparency an obligation can be occur problems for controls in the public sector.

(c) Should the definition of a liability include an assumption about the role that sovereign power plays, such as by reference to the legal position at the reporting date?

The definition of a liability can included but I don't know if more practical in this case.

Specific Matter for Comment 10

(a) Are there any additional characteristics that have not been identified that you believe are essential to the development of a liability definition?

(b) Are there other relevant issues, and particularly unique public sector considerations, that the IPSASB needs to consider in determining the concept of liabilities?

This comments is the same for number 5 "I observed that the IPSASB will be have a space for new characteristics for don't have problems, because

the IFAC don't has responsibility for described every situations, is very important specific this point for users of the IPSASB, I think this, I don't know. I think that proposal cannot contain these questions, isn't responsibility of IPSASB-IFAC".

Specific Matter for Comment 11

(a) Should revenues and expenses be determined by identifying which inflows and outflows are “applicable to” the current period (derived from a revenue and expense-led approach), or by changes in net assets, defined as resources and obligations, “during” the current period (derived from an asset and liability-led approach)?

(b) What arguments do you consider most important in coming to your decision on the preferred approach?

Kearney et al (2006, 98) is defined as: “no agency may collect receipts and earn revenues unless specific authorization is provided by Congress. Additionally, an agency may have the authority to collect receipts, but such receipts are unavailable for expenditure by that collecting agency. ... Expenses are defined as outflows or other expending of assets or incurring liabilities (or both) from providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. Expenses are charged to proprietary-type expense accounts.”

I think that initially the use for revenues and expenses definition which inflows and outflows have to observed the impact in the structure of the others IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 12

(a) Should transactions with residual/equity interests be excluded from revenues and expenses?

(b) Should the definitions of revenue and expense be limited to specific types of activities associated with operations, however described?

I think that initially the use for revenues and expenses definition which inflows and outflows have to observed the impact in the structure of the others IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 13

(a) Are there any additional characteristics that have not been identified that you believe are essential to the development of definitions of revenues and expenses?

(b) Are there other relevant issues, and particularly unique public sector considerations, that the IPSASB needs to consider in determining the definitions of revenues and expenses?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 14

(a) Do deferrals need to be identified on the statement of financial position in some way?

(b) If yes, which approach do you consider the most appropriate? Deferred outflows and deferred inflows should be:

(i) Defined as separate elements;

(ii) Included as sub-components of assets and liabilities; or

(iii) Included as sub-components of net assets/net liabilities.

(c) If defined as separate elements, are the definitions of a deferred outflow and deferred inflow as set out in paragraph 5.8 appropriate and complete?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 15

(a) Do you consider net assets/net liabilities to be a residual amount, a residual interest, or an ownership interest?

(b) Should the concept of ownership interests, such as those that relate to minority or noncontrolling interests in a GBE, be incorporated in the element definition?

(c) Are there other relevant issues, and particularly unique public sector considerations, that the IPSASB needs to consider in determining the concept of net assets/net liabilities?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 16

(a) Should transactions with residual/equity interests be defined as separate elements?

(b) If defined as separate elements, what characteristics would you consider essential to their definition?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 17

(a) Should recognition criteria address evidence uncertainty by requiring evidence thresholds; or by requiring a neutral judgment whether an element exists at the reporting date based on an assessment of all available evidence; or by basing the approach on the measurement attribute?

(b) If you support the threshold approach or its use in a situational approach, do you agree that there should be a uniform threshold for both assets and liabilities? If so, what should it be? If not, what threshold is reasonable for asset recognition and for liability recognition?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 18

Do you support the use of the same criteria for derecognition as for initial recognition?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

Specific Matter for Comment 19

Should the recognition criteria be an integral part of the element definitions, or separate and distinct requirements?

I think that initially the use characteristics identified depends of the IPSASB principally Exposure Draft 1 that is in discussion, which decisions about this point can be different than others comments.

References:

Kearney, Edward F.; Green, Jeffrey W.; Fernandes, Roldan; Tierney, Cornelius E. Federal Government Auditing. John Wiley:2006 New Jersey.

International Financial Reporting Standards – Certificate Manual ICAEW London: 2011.

Thank you for opportunity for comments this proposals, if you have questions don't hesitate contact to me, rio1042370@terra.com.br.

Yours Sincerely,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

552193493961