GOU/AGO Comments on Exposure Draft 45

The Republic of Uganda
Ministry of Finance, Planning and Economic Development
Comments from the Accountant General's Office

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INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD: COMMENTS ON EXPOSURE DRAFT 45

Improvements to IPSASs 2011

The IPSASB Exposure draft (ED) 45 covers three key objectives namely: proposed deletion of introduction section for those IPSASs which have an Introduction section (IPSASs 21 to 31); propose an insertion of objective paragraphs in those IPSASs which do not currently have an objective paragraph (IPSASs 6, 7, 8 and 10) and propose general improvements to four IPSASs that relate to inconsistent references to standards, terminology and structure resulting from IPSASB's ongoing review of existing IPSASs (IPSASs 16, 17, 19 and 21).

The Accountant General's Office has reviewed the proposals under the Exposure Draft 45 and has made the following comments:

Ref as per ED 45	Observation/ Rationale	Suggestion
Page 5 – Part I:<u>Deletion of Introduction Paragraphs</u>	Supports the proposal	Any relevant information on applicability of a given Standard should always be included in the Scope.
Page 5 – Part II: <u>Insertion of Objective Paragraph</u>	Supports the proposal	
Page 14 - <u>Title of IPSAS 10</u>	Noted that the title only addresses the hyperinflationary periods and yet there is provision for the accounting treatment for the period after the hyperinflation (see last sentence of the objective per exposure draft and paragraph 35 of the Standard).	The title for IPSAS 10 as "*Financial Reporting in Hyperinflationary Economies and after cessation of hyperinflation*".
Page 14 - <u>Objective of IPSAS 10</u>	Noted unnecessary repetition of the phrase "**accounting**" in the objective below: The objective of this standard is to prescribe the <u>accounting treatment</u> in the consolidated and individual financial statements of an entity <u>in accounting</u> for an entity whose functional currency is the currency of a hyperinflationary economy.	The objective of this Standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity whose functional currency is the currency of a hyperinflationary economy.
	Whereas the standard provides for the treatment after hyperinflationary period (see extract below), there is no specific provision	Other than presuming the opposite of conditions mentioned under paragraph 5, the IPSASB could consider specifying the

	as to how to determine when the hyperinflation has ceased.	indicators of the economy having ceased to be hyperinflationary. There is need for the Standard to provide for the appropriate treatment if the hyperinflation ends in the middle of the accounting period.
Part III – General Improvements on IPSAS 16: <u>Investment Property</u>		Standard should include as Investment Property, Infrastructure and other administrative public resources run on a pay-per-use basis. Under this arrangement a nominal fee is paid on a usage basis. However, for a property to qualify as Investment Property under this arrangement, the fee paid should be towards recovery of either part or all of the property construction costs and not the following purposes: *a.* Accumulation of a property pool reserve fund. *b.* Repair and maintenance of the property. *c.* Servicing of a Government Debt/Borrowing Interest not directly related to this property. *d.* Tax revenue for budgetary funding
Part III – General improvements on IPSAS 17: <u>Property, Plant and Equipment</u>		The standard should be extended to cover non-regenerative resources and /or rights to those resources, provided that such resources can be reliably quantified and/or measured. <u>Example</u> : *Mineral rights, the exploration for and extraction of minerals, oil, natural gas .* Exclude pay-per-use property recognised under IPSAS 16 – Investment Property; Extend meaning of Road Network infrastructure to include Road Drainage System, Road Lighting, Road Signs and Maintained Vegatation, which are not included in the Local Authorities Balance Sheet as Assets (*Para 21)*. Since these auxilliary assets will have a useful life different from that of the underlying asset (the road network), they should be recognized as separate assets (*37 of the*

		Standard).
Part III – General improvements on Standard 21: <u>Impairment of Non – Cash Generating Assets</u>	The objective does refer to Inventories (IPSAS 12) but does not include inventories that have been impaired, and have now been considered for conversion from Non – Cash Generating Assets to Cash Generating assets. Income will be generated from such assets for a foreseeable future. This is because some inventories or plant and equipment get converted to income generating activities after a while and a significant amount of income is obtainable for the foreseeable future. For example an area that has been completely been depleted of its minerals may be converted into a nature trail that does attract tourism. Environment Preservation should be considered.	Amendment of paragraph 27 should include a clause which caters for inventory that has been converted from Non Cash Asset to Cash Asset. Inventory that has been converted from Non-Cash Generating Assets to Cash Generating Assets should be measured at their fair value at the time of completion of the conversion process.