

June 10, 2011

Ms. Stephenie Fox
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Dear Ms Fox

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

As stated in our letter dated June 10, 2011 on the Exposure Draft of phase I of the IPSASB's Conceptual Framework project, the IDW recognizes that there is a distinct need for a conceptual framework for general purpose financial reporting by the public sector. We continue to believe that, as stated in our letter to you dated 31 March 2009, the discussion is of fundamental importance for the future development of International Public Sector Accounting Standards.

In the aforementioned letter, to which we refer, we also stated our support for the IPSASB in now concentrating significant resources on bringing this important project forward, but expressed our concern as to whether the IPSASB's timetable may be overly optimistic, as it would essentially mean that the IPSASB would complete the project independently – and thus likely ahead – of the IASB's Conceptual Framework Project.

Indeed, in respect of this phase of the project we also accept that differences between the public and private sector will need to be addressed, but nevertheless believe that at a conceptual level there are likely to be significant areas of common ground between the two sectors, and therefore also urge the

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
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Board to confer with the IASB on the issues dealt with in this phase of the project prior to finalizing the project as a whole.

Having said this, we believe the IPSASB has posed the right questions to gain insight into the views of its constituents. However, the IDW has chosen not to respond to each Specific Matter for Comment identified in the consultation paper, concentrating instead on areas where there may be significant differences between the private and public sectors.

- In respect of Specific Matter for Comment no. 1, the IDW believes that unconditional rights to receive resources will constitute relevant information. However, as such rights are of a contingent nature, this will impact their measurement and therefore the existence of such rights would be best disclosed in the notes rather than their constituting an element.
- In respect of Specific Matter for Comment no. 2, the IDW supports consideration of a mixed model including control and risks and rewards as is its position for the private sector. Access to rights, including the right to restrict or deny others' access to rights is overly restrictive.
- Specific Matter for Comment nos. 3 and 4 discuss public sector powers to tax and levy fees. In our view, in order to recognize an asset or liability there would need to be a past event. It would therefore seem to make sense for public sector powers to tax and levy fees to only be recognized as assets once the powers have been exercised. This is, however, the type of issue that has not been debated within the IASB's Conceptual Framework Project. Therefore, more consideration needs to be given as to whether and, if so, what extend criteria for these types of powers can differ from the general criteria for asset or liability recognition.
- Specific Matter for Comment no. 6(b) considers whether the requirement for a settlement date is an essential characteristic of a liability. In our view, the answer has to be no, as this is only a measurement issue relevant in the discounting calculations. For example, it may not be possible to estimate a settlement date for a claim to damages subject to judiciary proceedings – nevertheless it may be appropriate to recognize a liability. We do not see any public sector specifics in this context.
- Specific Matter for Comment no. 7 (a) considers whether the ability to identify (a) specific party(ies) outside the reporting entity to whom the entity is obligated should be considered an essential characteristic in defining a liability. We do not believe that the ability to identify (a)

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specific party(ies) outside the reporting entity to whom the entity is obligated should be considered an essential characteristic in defining a liability in either the private or public sector; indeed, in both cases such identification may be impracticable or even impossible. Similarly in no.7 (b), we agree that the absence of a realistic alternative to avoid the obligation is an essential characteristic of a liability – again this does not constitute a public sector specific in our view.

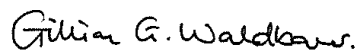
- In respect of Specific Matter for Comment nos. 11 and 14, the IDW favors the asset and liability led approach.

We hope our comments will be useful to the IPSASB in drafting this phase of the framework. We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely



Klaus-Peter Naumann
Chief Executive Officer



Gillian Waldbauer
Technical Manager International Affairs