



CONSELHO FEDERAL DE CONTABILIDADE

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February 13, 2014.

To: International Federation of Accountants - IFAC

Ref: Review of ED 53 – First-time adoption of accrual basis International Public Sector Accounting Standards (IPSAS)

The **Conselho Federal de Contabilidade do Brasil - CFC** (Brazilian Federal Accounting Council) welcomes the opportunity to comment the ED 53 – First-time adoption of accrual basis International Public Sector Accounting Standards (IPSAS).

Approach to ED 53

- Provide a comprehensive set of principles to assist entities that adopt the accrual basis for the first time.
- The standard encourages that countries in transition to accounting on accrual basis can also develop guidelines to assist local entities.

Specific comments:

Matter for Comment 1

The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSAS for the first time.

- (a) Do you agree with the proposed transitional exemptions included in the Exposure Draft?
- (b) Do you believe that the IPSASB achieved its goal in providing appropriate relief a first-time adopter in transitioning to accrual basis IPSAS?

Please provide a reason for your response.





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Convergence Subgroup:

We partially agree. The inclusion of exceptions is essential to the adopter at this first moment, but the component members of CFC Brazil believes that the IPSASB has not yet reached its goal in helping the adopter in the transition to accrual basis because it is extremely difficult to determine all the issues to be faced by countries.

CFC Brazil records that see problems in paragraph 44, which states that the consolidation of the balance sheet is not required that the first-time adopter of accrual basis delete all transactions, receipts and intra expenses during this period of three years.

Our team also believes that the ED 53 should bring considerations regarding the identification of the triggering event of transactions without consideration, and understand, using the Brazilian experience as an example, how the local tax specificity may require more technical explanations on the proper accounting treatment of these values.

Another issue concerns the exception that deals with IPSAS 25, which certainly also involves other IPSAS, regarding the adherence to the provisions of local law.

Considering the characteristic of Brazil's legal system (code law), and of other Latin American countries, it is important that the ED 53 could bring clear informations about how countries should proceed when adopting the accrual basis for the first time, so they can deal with any differences between the provisions in IPSAS and the provisions of local law, also recommending that it may be reproduced in a comparison board, in which IPSAS can be observed.

Matter for Comment 2

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSAS, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft?





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(b) Do you agree that the individual categorization is appropriate?

If not, please provide a reason for your response and provide an alternative approach.

Convergence Subgroup:

CFC Brazil agrees that there should be differentiation between exceptions and the ability to enforce compliance of the accrual basis, but believes that the ED 53 is not clear on how government agencies will reconcile the absence of such records and other events that will be recorded by the entity.

Example

The ED 53 foresees the exception of 3 years for state fixed assets (IPSAS 17), but when building an infrastructure asset the calculation result of the entity will be negatively impacted by the output of these values. If there is no corresponding incorporation of this asset, the analysis of the consolidated balance sheets will present inconsistency, similar to what currently happens in Brazilian public accounting.

Matter for Comment 3

This Exposure Draft proposes a relief of three years for the recognition or measurement of specific assets or liabilities in allowing a first-time adopter to transition to accrual basis IPSAS. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.

Convergence Subgroup:

CFC Brazil members consider that the transitional regime for accrual basis is very complex, and understands that it must be implemented gradually, according to the reality of the adopter, that is only one able to measure the impact and the years required for full implementation.





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Considering this, the three-year period is short to implement certain exceptions (such as intangible assets or the complete set of investment properties), and long for others (such as the record of equipment and other fixed assets). The implementation strategy depends on a few factors about the specificities of each entity and countries.

Thus, each country should establish its strategy of implementing new standards according to the degree of complexity of its current accounting and technical and political conditions to the transition, explaining in notes the level of adherence to new standards if partly (which type of partiality) or if fully.

If you have any questions about our comments, please contact us at tecnica@cfc.org.br.

Yours sincerely,

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President of CFC Brazil

