31 December 2017

Dear Sir/Madam

COMMENT ON EXPOSURE DRAFT: FINANCIAL INSTRUMENTS

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 Canada

We welcome the opportunity to comment on the Exposure Draft: Financial Instruments.

The objective of this Exposure Draft is to propose improvements to the comparability, faithful representation and relevance of the information that a reporting entity provides in its financial statements about financial instruments.

Overall, we are supportive of the Exposure Draft: Financial Instruments published by the International Public Sector Accounting Standards Board (IPSASB). Our responses to the specific matters for comment are listed below.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely,

KPMG Services Proprietary Limited

[Signature]

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SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1:

Consistent with the relief provided in IFRS 9, the International Public Sector Accounting Standards Board (IPSASB) has agreed in [draft] IPSAS [X] (ED 62) to allow an option for entities to continue to apply the IPSAS 29 hedging requirements. Do you agree with the IPSAS’s proposal?

The IPSASB aims to align the Financial Instruments standard to the guidance published by the International Accounting Standards Board (IASB) for private sector entities (IFRS 9). We, therefore agree that the IPSASB must provide relief to allow an option for entities to continue to apply the requirements of IPSAS 29 on Hedging in order to be consistent with International Financial Reporting Standards (IFRS).

Specific Matter for Comment 2:

The IPSASB recognises that transition to the new standard may present implementation challenges as a result of the number of significant changes proposed. Therefore, the IPSASB intends to provide a 3 year implementation period until [draft] IPSAS [X] (ED 62) is effective (early adoption is permitted). Do you agree with the proposed 3-year implementation period before [draft] IPSAS [X] (ED 62) becomes mandatory? Please explain.

International Public Sector Accounting Standards (IPSAS) 33: First Time Adoption of Accrual Basis IPSAS provides a 3 year recognition and measurement relief that public sector entities may utilise before they assert compliance with IPSAS. Therefore, a 3 year implementation period proposed in ED 62 is consistent with the transitional period proposed in IPSAS 33. However, we propose a longer implementation period of at least 4 years, because financial instruments are complex in nature. A 4 year implementation period is also in line with the implementation period provided by the IASB when they developed the IFRS 9 standard on Financial Instruments. An implementation period of 4 years was proposed for the private sector even though the sector usually employs Qualified Accountants in their respective Finance departments. A longer implementation period of at least 4 years is proposed for the public sector because the Finance departments of that sector are usually under resourced with fewer Qualified Accountants as opposed to the private sector.

Specific Matter for Comment 3:

Do you agree with the proposed transition requirements in paragraph 153 – 180, consistent with those provided in IFRS 9? If not, what specific changes do you recommend and why?

We agree with the proposed transitioning requirements in paragraph 153 – 180 as these are similar to the practical expedients provided in IFRS 9. The transitional requirements are practical expedients designed to provide relief to public sector entities to comply with the standard on Financial Instruments. A public sector entity shall apply this Standard retrospectively, unless if it adopts the practical expedients in paragraph 157–180.