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30 November 2015

Dear Sir/Madam

## **COMMENT ON EXPOSURE DRAFT 56: THE APPLICABILITY OF IPSASs**

### ***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 Exposure Draft 56: *The Applicability of IPSASs*.

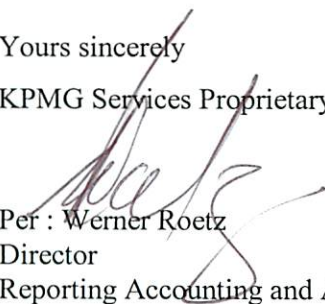
Exposure Draft 56: The Applicability of IPSASs proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

Overall, we are supportive of the IPSASB's proposed amendments to IPSASs and RPGs.

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

Yours sincerely

KPMG Services Proprietary Limited

  
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The company's principal place of business is at KPMG Crescent,  
85 Empire Road, Parktown, where a list of the directors' names is  
available for inspection.

KPMG Services Proprietary Limited is a company incorporated  
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Registration number 1999/012876/07

## SPECIFIC MATTERS FOR COMMENT

### Specific Matter for Comment 1:

*Deleting the GBE definition in IPSAS 1, Presentation of Financial Statements and amending the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs.*

We support the proposal to remove all references to “Government Business Enterprises” from the IPSASB’s pronouncements.

### Specific Matter for Comment 2:

*Replacing the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:*

*The IPSASs are designed to apply to public sector entities that:*

- a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;*
- b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,*
- c) Do not have a primary objective to make profits.*

We support the proposal to replace the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.

During our discussions, there was uncertainty about how the characteristics should be interpreted and the consequences thereof. With regards to characteristic b), we debated whether “Mainly” is intended to mean more than 50 percent or if it could be interpreted in another way. We also noted that an entity might receive most of its funding from other levels of government in one year, and receive very little funding from other levels of government in the year thereafter. Guidance should be provided on how to determine whether such an entity’s activities are financed “mainly” through transfers from other levels of government, taking into account historic and expected future transfers. This assessment should not be based solely on the way the entity’s activities are being financed during the current year.

We also suggest that a paragraph is added to explain that an entity should determine whether IPSASs are applicable to it initially, and thereafter reassess the applicability of IPSASs, only if there is significant change within the entity. Receiving most of its funding from other levels of

government in one year, and then receiving very little funding from other levels of government in the year thereafter, should not result in another framework being applied every other year.

**Specific Matter for Comment 3:**

*The characteristics identified in the revised paragraph 10 of the Preface to IPSASs along with the entities identified in paragraph 1.8 of the Conceptual Framework provides a comprehensive view of the public sector entities for which IPSASs are designed.*

We are concerned that users/readers who are trying to determine whether the IPSASs are applicable to an entity, might consider only one of the above mentioned paragraphs instead of obtaining a comprehensive view by considering both as they are contained in separate documents.

We suggest that the IPSASB considers having one comprehensive paragraph including both the characteristics and the range of public sector entities for which IPSASs are designed, or alternatively, make reference in each of the above mentioned paragraphs, to the other paragraph that needs to be considered in order to have a comprehensive view of the public sector entities for which IPSASs are designed.

