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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
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31 July 2012

Dear Stephanie,

IPSASB Exposure Draft 47 - Proposed International Public Sector Accounting Standard: Financial Statement Discussion and Analysis

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft issued by the International Public Sector Accounting Standards Board (IPSASB).

Overall, we are supportive of the initiative as we believe it makes significant strides in achieving the objectives of financial reporting by providing stakeholders with narrative descriptions and analyses of various matters that can assist in placing aspects of the financial statements in context. It can also enhance the value of financial information for decision making and for making assessments of the entity's discharge of accountability.

Our response to the question in the Request for Comment is set out below:

Specific Matter for Comment 1:

Do you agree that the material presented in this Exposure Draft should be developed as an IPSAS, with the same level of authority as the accrual based IPSASs, which applies to all entities that prepare financial statements in accordance with IPSASs?

We are in agreement that the proposed standard brings a new concept in financial reporting among public sector entities. It pertains to the qualitative aspects that are important for more understanding of financial statements. It also provides that FSDA be used only for annual financial statements. This is important since it factors the cost benefit analysis of FS preparation - ED47.7.



Specific Matter for Comment 2:

Do you agree that IPSAS 1 should be amended to clearly indicate that financial statement discussion and analysis is not a component of the financial statements?

We agree with the proposal. The proposed standards requires that, public sector entities financial statements discussion and analysis explain and analyses significant items, transaction and events presented and the trends, conditions and factors that influenced them. This clearly defines the scope of discussion and analysis as complements and supplement information presented in financial statement by giving insights and the perspectives thereon.

ED 47.10 clearly indicates that financial statement discussion and analysis to be issued in conjunction with Financial statement. IPSAS 1: The financial statement discussion and analysis shall be prepared for the same reporting entity that prepares and financial statement under the accrual basis of accounting.

ED47.9 states that financial statement discussion and analysis shall contain information that posses qualitative characteristics of general purpose financial reports. ED47.13 stresses that the financial statement discussion and analysis must comply fully with IPSAS and explicit and unreserved declaration of compliance be made thereof.

Just like the notes to the financial statements discussion & analysis should be consistent with financial statements, and based on currently known facts and supportable assumptions. ED 47.10.

The above requirements; minimum content, compliance with IPSAS, qualitative characteristics, comparability, basis of preparation and duration/period to be covered. This implies that to the extent possible, financial statements discussion and analysis should be in line with financial statements.

Specific Matter for Comment 3:

Is the scope of financial statement discussion and analysis clearly defined so as to distinguish it from other issues being addressed by the IPSASB (e.g., financial statements, service performance reporting, reporting on the long-term sustainability of public finances)?

Financial statement discussion and analysis is not expected to replicate or rather reproduce information presented in the financial statement.



Specific Matter for Comment 4:

Is the required content for financial statement discussion and analysis appropriate?

The minimum required content identified cut across crucial areas of reporting by most entities, however the standard doesn't wish to have the minimum requirement to serve as a reporting template. Once the standard is effective, the practice will over the time give direction and perhaps a standardized template agreeable across the entire sector could be developed.

Specific Matter for Comment 5:

Do you agree with the transitional provisions?

Agree. Once the standard becomes effective, all provisions should be applicable. Para 34 is to ensure that the entity is in compliance with IPSAS 1 upon first adoption hence appropriate.

Specific Matter for Comment 6:

Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?

We agree that the implementation guideline is useful in the understanding the requirements of the proposed standard.

We are however of the view that the Implementation guideline (A.IG 13), provide that the source is quoted where applicable. This will further validate the sources and also act as a reverence point for users of financial statements.

In our opinion, the implementation guideline should provide a lower benchmark of what constitute the future as describe in B.IG15. This will minimizing minimize time based discrepancy which may arise due to subjective treatment of what constitutes 'the future' by different entities preparing their financial statements analysis and discussion under this standard when it becomes effective.

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Specific Matter for Comment 7:

Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?

In reviewing the ED, we found the illustrative guideline useful and believe that it enhances understandability and implementation of the proposed standard once it becomes effective. We are also in support of the view that the example is not a template.

Thank you.