

PROPOSED INTERNATIONAL EDUCATION STANDARD 7 (REDRAFTED)

GENERAL OPINION:

The new version has a more synthetic, orderly and coherent structure.

Exceptions:

Paragraph 2.c)

"necessary to protect the public interest" COMMENT: seems redundant, or at least, this shouldn't be the place where to refer the issue. (paragraph 1.b)

Paragraph 3.

IPD. COMMENT: The term "development" does not indicate "moment" but process. So, it wouldn't be "initial" but in any case, "(state of) professional development at the beginning"

The second phrase indicates that the CPD provides continued development of... *b) skills developed during the IPD.* COMMENT: previous training has not necessarily been based on competence, so it should be "started" and not "continued".

In particular, you are asked to respond to the following questions:

1. **Is the objective to be achieved by a member body, stated in the proposed redrafted IES 7, appropriate?**

OPINION *paragraph 7, is worded clearly and precisely,*

2. **Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?**

OPINION *Yes, it is generally.*

3. **Are there any terms within the proposed redrafted IES 7 which require further clarification? If so, please explain the nature of the deficiencies.**

OPINION

Paragraph 4. Include definitions (and examples) of "informal learning activities such as.....networking, observation, feedback and reflection, and..., etc..., etc.

Comments on Other Matters

Explanatory Materials

A13 Include examples and clarify if it includes refereed and research publications. If "Assessments of learning outcomes achieved" includes post grades as masters, PhDs, etc. Clearly if it is only about activities designed and evaluated based on competencies. If the last item of paragraph A.13. includes universities, courses in professional bodies or institutions such as stock trading and similar.

Developing Nations

Recognizing that many developing nations have adopted or are in the process of adopting the IESs, the IAESB invites respondents from these nations to **comment, in particular, on any foreseeable difficulties in applying IES 7 in a developing nation environment.**

OPINION Paragraph 7 a)

In Argentina, the registration is required for the professional, but accountants are those who have obtained this title as the culmination of an undergraduate program (Paragraph 7). The degree enables practice.

1. IFAC member bodies in Argentina, by operation of law, authorize registration with the graduation degree without prior evaluation by itself, should presume to evaluate the various items of DPI by the institution granting the professional title (the University).
2. Not all components of "*learning and development*" are covered by DPI in undergraduate education. Especially referring to skills, so that its "development" would not fit in the DPC, but its beginning or installation. In stages prior to CPD the competence approach is not yet applied on a widespread and much less systematic way. For that reason the competences that accountants that take CPD, have previously developed are not standardized (each accountant have developed skills depending on the educational institutions he/she attended, and according to their own skills and experience) and certainly have not been measured, and for that reason, professional bodies should initiate the implementation of competency-based approach to CPD. This could lead the Councils to determine that the universities are not providing their graduates the development of skills necessary for professional practice, which will lead them more resistance to accept the intervention of Councils. In fact they are already creating a permanent training system for graduates.
3. There is no consensus to accept, by the universities, the participation of professional bodies on issues that are considered the exclusive competence of the university.

4. As in Argentina the university degree enables, the maximum penalty, if any, that a professional Council could apply, is the suspension of registration (as in cases of ethics or lack of payment for the right for practice) which practical effect is that the Council will not certify the signature of their professional work. Should Councils amend its statutes to legalize the implementation of suspension in such cases? **Paragraph 15**

Translations

The IAESB welcomes comments from respondents on potential translation issues noted in reviewing this exposure draft.

OPINION *“Professional Accountants”, “Accounting Education” and “Evaluation”* not necessarily have the same meaning in other languages and / or other socio-geographic realities that use the same language (eg. Spanish in Spain, Central America or in Río de la Plata).

The term **Professional** may be ambiguous as it is used for both professionals that require college degrees, and for TRADES (gas, electrician, etc.) which require a recognition or authorization of a public or private agencies to perform certain tasks. It is also used as an adjective to indicate that someone has certain competences or skills or qualifications in any art or crafts in general “for the job”.

Therefore it is used in a broad sense, training for work, regardless that you have a college degree.

Of all these meanings, in Argentina and in the field of Accountants, the most widespread is the first (degree).

In DPI, replace the term *“initial”* for *“prior to incorporation as PA.”* Because if we speak of *“development”* could refer to a time (*“initial”*) *Previous Professional Development: PPD*

Opinions of the Federation of Professional Councils of Economic Sciences (FACPCE)

Phase 2 --- The definition and recognition of the elements of financial statements;

Specific matter for comment 1:

- (a) Should the definition of an asset cover all the following types of benefits- those in the form of:
- (i) Service potential;
 - (ii) Net cash inflows; and
 - (iii) Unconditional rights to receive resources?
- (b) What term should be used in the definition of an asset:
- (i) Economic benefits and the service potential; or
 - (ii) Economic benefits?

Paragraph No.	Paragraph Reference	Opinion
(a)	Should the definition of an asset cover all the following types of benefits- those in the form of: (i) Service potential; (ii) Net cash inflows; and (iii) Unconditional rights to receive resources?	The definition of an asset should cover all the concepts expressed in points (i), (ii) and (iii). Regarding point (iii), <i>Unconditional rights to receive resources</i> , if and only if they are specified in the contract. For example, privatizations where the contract states an investment program, it should be considered a debt for the privatized company and an asset for the appropriate Government Sector.
2.13	The substance of an asset may be identified in the terms of the type of economic benefits provided by a resource. Three potential types of benefits are: (a) Service potential; (b) Net cash inflows (or reduced net cash outflows); and (c) Unconditional rights to receive resources.	Economic benefits and service potential should be used in the definition of an asset(i).
2.24	"... However, others believe that because a significant portion of the government assets	Understanding that the "service potential" is precisely one of the

	are employed to provide service and not to derive an economic benefit, the term "service potential" should be incorporated separately into the definition of an asset. In the rest of this CP, it is considered that there is a request to include in this approach the economic benefits as well as the service potential benefits, and the comment."	factors that distinguish us from the Public Sector, as the Public Sector operations' main goal is to provide services and a need for assets to deliver such services, and for that reason it may not be included in the term economic benefits.
(b)	What term should be used in the definition of an asset: (i) Economic benefits and the service potential; or (ii) Economic benefits?	What should be included is: "The economic benefits and the service potential" If in the economic benefits not only the fund flows are considered, but also the unconditional rights to receive the resources stated in the contracts.

Specific matter for comment 2:

- (a) What approach do you believe should be used to associate an asset with a specific entity:
- (i) Control;
 - (ii) Risks and rewards; or
 - (iii) Access to rights, including the right to restrict or deny others' access to rights?
- (b) Does an entity's enforceable claim to benefits or ability to deny, restrict or otherwise regulate others' access link a resource to a specific entity?
- (c) Are there additional requirements necessary to establish a link between the entity and an asset?

Paragraph No.	Paragraph Reference	Opinion
2.26	Assets of the Reporting Entity Because the financial statements of a government or other public sector entity can include only its own assets, one type of essential characteristic of an asset is how an entity determines whether or not an asset is its asset. The issue, therefore, is how to link the rights or other access to the future benefits to the specific entity that benefits from them.	(iii) Access to the rights, including the right to restrict or deny access to others' rights.
2.38	"...In the latter example, the natural resource might qualify as an asset for the government."	Natural Resources are government-managed public assets of public domain, but they belong to all the citizens living in the national territory. So, for better management, the

		<p>government will be able to obtain resources from them, either pass permits or royalties for the exploitation that will be considered government revenues over a public domain asset, that is a citizen-owned asset; on the other hand, such assets have a series of restrictions that the government private domain assets do not possess.</p> <p>Actually, all the assets, both of public and private domain, belong to the citizens of a country and the government is their administrator, so we understand that the Natural Resources should be part of a government's assets, the government being their administrator, which generate revenue or not, in which case they are Exploited Natural Resources and such assets constraints should be specified.</p>
2.39	<p>Requiring an entity to have an enforceable claim of an asset's benefits, such as through contractual rights, has also been suggested as a criterion to link the asset to the entity. Enforceability force can be represented not only by holding title to the resource, but also for being a party to a contractual arrangement, as this usually entitles an entity to access such benefits.</p>	<p>The <i>enforceable claim to the benefits</i> should only be supported by the contractual rights.</p>
(a)	<p>Which approach do you believe should be used to associate an asset with a specific entity:</p> <ul style="list-style-type: none"> (i) Control; (ii) Risks and rewards; or (iii) Access to rights, including the right to restrict or deny others' access to rights? 	<p>An asset must be associated with an entity when:</p> <ul style="list-style-type: none"> (i) You hold legal title of it; or (ii) The risks and benefits are assumed; or (iii) You have formal rights over them (contracts). <p>What should not be considered:</p> <ul style="list-style-type: none"> • Control or • The rights to restrict or deny access to others' rights.

(b)	Does an entity's enforceable claim to benefits or ability to deny, restrict or otherwise regulate others' access link a resource to a specific entity?	To be recognized as an asset, "prudence" should be applied and recognized only when the claim is actually enforced.
(c)	Are there additional requirements necessary to establish a link between an entity and an asset?	In the case of the rights, the relevant contracts, and in the case of public domain assets (Natural Resources) the existing constraints on them will depend on the laws of each country.

Specific matter for comment 3:

Is it sufficient to state that an asset is a "present" resource, or must there be a past event that occurs?

Paragraph No.	Paragraph Reference	Opinion
2.41	Asset at the Reporting Date The third class of characteristic of an asset relates to requiring the other essential characteristics to be met at the reporting date.	The characteristic must be: a present resource originated in past events.
2.47 and 2.48	Some consider that the notion of an asset being a "present" resources is an essential characteristic rather than the requirement for a past transaction or event, as in some existing definitions. If a past transaction or other event is not considered to be an essential characteristic, it may be an indicator of evidence supporting the existence of a present resource. Regardless of how this is characterized, implicitly, to be an asset, the benefits embodied in a resource must exist at the reporting date and must be resources of the entity at that time.	Those are the two characteristics, some assets are the result of past events. The important thing is that such asset must exist at the end of the reporting date.

Specific matter for comment 4

Recognition and measurement criteria aside, are the public sector entities rights and powers, such as those associated with the power to tax and levy fees, inherent assets of a public sector entity active, are they assets only when those powers are exercised, or is there an intermediate event that is more appropriate?

Paragraph	Paragraph Reference	Opinion
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No.		
2.49	<p>Unique Rights or Powers of the Public Sector Governments have unique powers and rights. As a result, assets may be created in non-exchange transactions and by virtue of exercising sovereign powers. Being able to assess and issue licenses and other rights or powers to access or regulate access to the benefits conferred under intangible assets as the electromagnetic spectrum, are rights or powers that others do not enjoy. Given the important powers that are granted to sovereign governments and other public sector entities, it is often difficult to determine when such rights or powers meet the requirement of reporting an entity's resource and asset.</p>	<p>(b) A government entity's power to levy a tax or impose fees meets the definition of an asset only when the government has exercised that power through the tax or fee ACCRUAL (a power view). Rationale: We must be consistent with the concept of accrual; in paragraph 2.51 it says "levy", that would only be usable for determining the budgetary outcome but not the equity outcome.</p>
	<p>Are the assets inherent to a public sector entity active only when those powers are exercised, or is there a more appropriate intermediate event?</p>	<p>We understand that the Prudence principle should be applied only when such power is exercised by the State. The exercise of power by the state must not only be restricted to the right collection but it can also be defined at the moment in which the taxable event to acknowledge it is generated, with legal grounds supporting it.</p>

Specific matter for comment 5

(a) Are there any additional characteristics that have not been identified that you believe are essential to the development of an asset definition?

(b) Are there any other relevant issues, and particularly unique public sector considerations that the IPSASB needs to consider in determining the concept of assets?

Paragraph No.	Paragraph Reference	Opinion
	<p>Assets of the State</p>	<p>Given their specific and unique public sector characteristics, they should be specifically contemplated.</p>

Specific matter for comment 6

(a) Should the definition of a liability cover all of the following types of obligations?

- (i) Obligations to transfer benefits, defined as cash and other assets, and the provision of goods and services in the future.
 - (ii) Unconditional obligations, including unconditional obligations to stand ready to ensure against loss (risk protection).
 - (iii) Performance Obligations.
 - (iv) Obligation to provide access to or forego future resources.
- (b) Is the requirement for a settlement date an essential characteristic of a liability?

Paragraph No.	Paragraph Reference	Opinion
3.11 – 3.12	The Essential Characteristics of a Liability	One of the characteristics of a liability is the UNCONDITIONAL OBLIGATIONS, with the scope of the present paragraphs.
3.21	Settlement Date Some believe that including the notion of a settlement date should be considered to determine whether an item is a liability or a contribution from an owner.	Including the settlement date can NOT be considered for the determination, as it is contrary to the essential characteristic of an Unconditional Obligation.

Specific matter for comment 7

- (a) Should the ability to identify a specific party(ies) outside the reporting entity to whom the reporting entity is obligated be considered an essential characteristic in defining a liability, or be part of the supplementary discussion?
- (b) Do you believe that the absence of a realistic alternative to avoid the obligation is an essential characteristic of a liability?
- (c) Which of the three approaches identified in paragraph 3.28 do you support in determining whether an entity has or has not a realistic alternative to avoid the obligation?

Paragraph No.	Paragraph Reference	Opinion
3.28	Enforceability on the Entity	It is the (c) criterion, Enforceable contractual, constructive, and equitable obligations, and all other constructive and equitable obligations from which the public sector entity cannot realistically withdraw. With the scope of paragraphs 3.35 and 3.36

Specific matter for comment 8

Is it sufficient to state that a liability is a "present" obligation, or must there be a past event that occurs?

Paragraph No.	Paragraph Reference	Opinion
3.42	A need for identification of a past transaction or event.	You must be consistent with the Asset specific matter 3. It should be a present obligation arising from an accrued past event. Thus linking this basic principle avoids the drawbacks of paragraph 3.43.

Specific matter for comment 9

- (a) Recognition and measurement criteria aside, are public sector entity obligations such as those associated with its duties and responsibilities as a government, perpetual obligations, obligations only when they are enforceable claims, or is there an intermediate event that is more appropriate?
- (b) Is the enforceability of an obligation an essential characteristic of a liability?
- (c) Should the definition of a liability include an assumption about the role that sovereign power plays, such as by reference to the legal position at the reporting date?

Paragraph No.	Paragraph Reference	Opinion
3.51	Unique Public Sector Obligations This approach sees the obligation to transfer resources as a necessary but not sufficient condition for identifying such responsibilities as liabilities. It holds that enforceability occurs only when events have occurred that obligate and commit the government to act in a particular way. Under this view, an obligation should comply with the definition of a liability only towards the right side of the above diagram	In this matter we must be consistent with matter 4 of Assets.
3.52	The unique role of the budget for some government entities may play a part in determining if an obligation exists. The budget may be based on stated management policies, be approved by the legislature, and it, along with the government's policies, and programs, may have force of law or regulation when the budget becomes effective. Does the approval of the budget transform such plan, policies and programs into enforceable obligations at the date the budget is approved?	Including a program in the budget does not constitute a debt. To constitute an enforceable obligation the due process should be concluded and accrued. Time required to make the payment.

Specific matter for comment 10

(a) Are there any additional characteristics that have not been identified that you believe are essential to the development of a liability definition?

(b) Are there other relevant issues, and particularly unique public sector considerations that the IPSASB needs to consider in determining the concept of liabilities?

Paragraph No.	Paragraph Reference	Opinion
3.45	The essential characteristics of a Public Sector liability.	Including in the sequence chart the concept of accrual as expressed in the "services rendered or goods received" table and its correlative "Recipients approved for eligibility".

Specific matter for comment 11

(a) Should revenues and expenses be determined by identifying which inflows and outflows are "applicable to" the current period (derived from a revenue and expense-led approach), or by changes in the net assets, defined as resources and obligations, "during" the current period (derived from an asset and liability-led approach)?

(b) What arguments do you consider most important in coming to your decision on the preferred approach?

Paragraph No.	Paragraph Reference	Opinion
4.1 4.2 4.3 4.4	Approaches to Reporting Financial Performance	In this section it is important to distinguish the face of budgetary performance from the face of equity performance, where different approaches should be applied.
4.6	Revenue and Expense-Led Approach Under the R&E approach, revenues and expenses are identified and defined as primary element flows basically related to the efforts of today.	This approach is applicable to the budget performance.
4.20	In the public sector, the budget plays an important role in the accountability cycle of the entity. It is the publicly communicated document against which results are measured, the basis upon which taxes are levied, and the basis for planning the resources needed for the goods and services to be provided for a predetermined period, usually one year. The focus on the current operations in	This approach is applicable to the budget performance.

	the R&E approach therefore is seen to increase the relevance of the statement measuring financial performance.	
4.9	<p>Asset and Liability-Led Approach</p> <p>Under the A&L approach, the assets and liabilities are identified and defined first - basically, as resources and obligations. Revenues and expenses are then defined as the result of changes in the assets and liabilities. In fact, assets are the starting point in determining all the other elements, as liabilities are defined with reference to their claims on assets.</p>	Applicable approach to equity performance
4.24	<p>The predominant thinking behind this approach is that the measure of the financial performance should be grounded in real economic phenomena. Assets and liabilities represent resources and obligations that can be observed and verified directly. Using assets and liability definitions as anchors imposes limits or restraints on what can be included in the assets and liabilities (financial position), and also in the directly related aspect of financial performance. All items that represent changes in the net resources of the entity between financial reporting dates are included in the measure of financial performance, ensuring a high level of reliability, understandability, consistency and comparability of the information, and resulting in the relevant metric to assess accountability.</p>	Applicable approach to equity performance
4.30	<p>Association With the Reporting Period</p> <p>The first issue is how revenue and expenses should be associated with the reporting period. Are revenues and expenses recognized as flows that are "applicable" to the reporting period, or are they a result of flows "during" the period that change the stock of assets and liabilities? Flows include both cash and non-cash items. Which approach is more appropriate follows logically from the conclusion as to whether a R&E approach or an A&L approach should predominate, as explained above.</p>	In this section it is important to distinguish the face of association with the budgetary period from the equity period, where different approaches should be applied.

Specific matter for comment 12

- (a) Should transactions with residual/equity interest be excluded from revenues and expenses?
- (b) Should the definitions of revenue and expenses be limited to specific types of activities associated with operations, however described?

Paragraph No.	Paragraph Reference	Opinion
4.40	Exclusion of Transactions with Residual/Equity Interests This section considers whether transactions with residual/equity interests should be excluded from the definitions of revenue and expense. Equity interests in the public sector differ from private sector ownership interests in that they generally do not relate to exchangeable equity holdings. Such interests and transactions are discussed in Section 5. Until the approach to ownership-type interests in the public sector is resolved, the CP refers to holders of such interests, such as residual/equity interests.	Address when analyzing Section 5.

Specific matter for comment 13

- (a) Are there any additional characteristics that have not been identified that you believe are essential to the development of definitions of revenues and expenses?
- (b) Are there other relevant issues, and particularly unique public sector considerations, that the IPSASB needs to consider in determining the definitions of revenues and expenses?

Paragraph No.	Paragraph Reference	Opinion
4.13	Additional characteristics that have not been identified, that you believe are essential to the development of a definition of revenues and expenses	Explicitly break down the revenue for a particular purpose and the consequential costs, which do not affect the qualitative modification of equity or budget outcome. Partly covered by the example.

Specific matter for comment 14

- (a) Do deferrals need to be identified on the statement of financial position in some way?
- (b) If yes, which approach do you consider most appropriate? Deferred outflows and deferred inflows should be:
 - (i) Defined as separate elements;
 - (ii) Included as sub-components of assets and liabilities; or

(iii) Included as sub-components of net assets/net liabilities.

(c) If defined as separate elements, are the definitions of a deferred outflow and deferred inflow as set out in paragraph 5.8 appropriate and complete?

Paragraph No.	Paragraph Reference	Opinion
5.6	<p>Deferred Outflows and Deferred Inflows If revenues and expenses are to be defined with a characteristic that indicates they are "applicable to" the reporting period, as explained in Section 4, and the financial position and financial performance statements are to articulate, then one of the following approaches is required: (a) Define deferred outflows and deferred inflows as separate elements on the statement of financial position; (b) Broaden the definitions of asset and liability elements to encompass items that are deferrals; or (c) Describing the deferred outflows and inflows as sub-classifications of the net assets / liabilities.</p>	<p>The deferrals should be identified in the statement of financial position, which is alternative (a).</p>
5.8	<p>The first approach maintains a flow of resources approach and defines deferred items as follows: (a) Deferred outflow (of resources): an entity's consumption or reduction of net assets that is applicable to a future reporting period; and (b) Deferred inflow (of resources): an entity's increase or acquisition of net assets that is applicable to a future reporting period. The term "net assets" (assets less liabilities) is used in these definitions to differentiate these items from the results of transactions and events such as the repayment of debt or the acquisition of property, plant and equipment with a cash payment, where there is no change in the net asset amount.</p>	<p>The definitions are appropriate.</p>

Specific matter for comment 15

- (a) Do you consider net assets/net liabilities to be a residual amount, a residual interest, or an ownership interest?
- (b) Should the concept of ownership interests, such as those that relate to minority or non-controlling interests in a GBE, be incorporated in the element definition?
- (c) Are there other relevant issues, and particularly unique public sector considerations that the IPSASB needs to consider in determining the concept of net assets/net liabilities?

Paragraph No.	Paragraph Reference	Opinion
5.12	<p>Essential Characteristics of Net Assets/Net Liabilities Reporting the net financial position of a public sector entity provides valuable information to the primary users of the entity's financial statements. Service recipient and resource providers and their respective advisors use information about the net position at the reporting date to help them in assessing the management of the entity's short-term financial capacity, and its ability to sustain the level of programs and services it provides. Users, therefore, use this information to assess the related aspects of entity's financial and operating capacity.</p>	There is an interest in the terms of paragraph 5.18.

Specific matter for comment 16

- (a) Should transactions with residual/equity interests be defined as separate elements?
- (b) If defined as separate elements, what characteristics would you consider essential to their definition?

Paragraph No.	Paragraph Reference	Opinion

Specific matter for comment 17

- (a) Should recognition criteria address evidence uncertainty by requiring evidence thresholds; or by requiring a neutral judgment whether an element exists at the reporting date based on an assessment of all evidence available; or by basing the approach on the measurement attribute?
- (b) If you support the threshold approach or its use in a situational approach, do you agree that there should be a uniform threshold for both assets and liabilities? If so, what should it be? If not, what threshold is reasonable for asset recognition and for liability recognition?

Paragraph No.	Paragraph Reference	Opinion
6.11	<p>The need for recognition criteria <u>The existence of uncertainty</u> There are three approaches to dealing with existence uncertainty:</p> <p>(a) Standardize threshold criteria, such as recognition only if it is "probable" that future economic benefits associated with the item will flow to or from the entity;</p> <p>(b) Use all available evidence to make neutral judgments about the element's existence; and</p> <p>(c) Use threshold criteria or neutral judgments, depending on the underlying measurement basis of the element.</p>	The (b) approach "Use all available evidence to make neutral judgments about the element's existence" is the most appropriate with the scope of paragraph 6.14.
6.20	<u>Measurement Uncertainty</u>	No comments.

Specific matter for comment 18

Do you support the use of the same criteria for derecognition as for the initial recognition?

Paragraph No.	Paragraph Reference	Opinion
6.23	<p>Derecognition Criteria Recognition also includes timing considerations: it involves recording an element at the time of an initial transaction or event, or subsequently, if the required recognition criteria are not met until later. Recognition also entails an evaluation of whether changes have occurred that warrant removing a previously recognized item from the financial statements. The latter process is called derecognition</p>	We support the use of the same criteria for derecognition that we use for initial recognition.

Specific matter for comment 19

Should the recognition criteria be an integral part of the element definitions, or separate and distinct requirements?

Paragraph No.	Paragraph Reference	Opinion
6.26	Should Definitions Incorporate	The recognition criteria should

	Recognition Criteria	be a separate part of the element definitions.
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