IPSASB EXPOSURE DRAFT 62: FINANCIAL INSTRUMENTS

The Public Sector Accounting Standards Board (PSASB) Kenya was established by the Public Finance Management Act (PFM) No.18 of 24th July 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February, 2014 and has been in operation since.

The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and Public entities in Kenya and to prescribe internal audit procedures which comply with the PFM Act, 2012.

The Public Sector Accounting Standards Board is pleased to submit its comments on the Exposure Draft 62 on Financial Instruments to International Public Sector Accounting Standards Board. PSASB supports the work of IPSASB in the standard setting process.

Overall, we are supportive of the Exposure Draft: Financial Instruments published by the International Public Sector Accounting Standards Board (IPSASB). PSASB responses on Specific Matters for Comment are documented in the attachment for your consideration.

With kind regards

BERNARD NDUNGU, MBS
CHAIRMAN, PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
## Specific Matters for Comment 1

Consistent with the relief provided in IFRS 9, the IPSASB has agreed in [draft] IPSAS [X] (ED62) to allow an option for entities to continue to apply the IPSAS 29 hedging requirements. Do you agree with the IPSASB’s proposal?

*PSASB agrees with IPSASB’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). IFRS 9 has provided a relief on application of hedging requirements. Since ED 62 is developed from IFRS 9 provisions, it is in order to maintain consistency and apply the same relief for public sector entities to continue applying IPSAS 29 hedging requirements.*

## Specific Matters for Comment 2

The IPSASB recognises that transition to the new standard [draft] IPSAS [X] (ED62) 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] (ED62) is effective (early adoption will be permitted). Do you agree with the proposed 3-year implementation period before [draft] IPSAS [X] (ED62) becomes mandatory? Please explain.

*PSASB does not agree with the proposed 3-year implementation period. Kenya, through prescription by the PSASB, adopted IPSAS in the year 2014. The National and County Government Entities apply the IPSAS cash standard while State Corporations and Semi-Autonomous Government Agencies apply IFRS and IPSAS accrual depending on whether they are commercial entities or not. Kenya has developed a road map to move to IPSAS accrual for National and County Government Entities beginning 1st July 2019. In view of this, PSASB is of the opinion that a 6 – year implementation period will be ideal. This will enable Governments and Entities to create awareness of the significant changes proposed, train public sector accountants and obtain expert advice on development of financial models to enable them apply the proposed principals effectively. A 4 year implementation period was provided by the IASB when they developed the IFRS 9 standard on Financial Instruments for private sector, it is expected that a longer period would be ideal for the public sector given limitations such as capacity and complexity in the public sector in comparison to the private sector.*

## Specific Matter for Comment 3

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

*PSASB agrees with the transition requirements in paragraph 153 – 180 as these are similar to the practical expedients provided in IFRS 9.*