Financial Instruments

ICAEW welcomes the opportunity to comment on the Financial Instruments exposure draft published by the International Public Sector Accounting Standards Board (IPSASB) in August 2017, a copy of which is available from this link.

This response of 21 December 2017 has been prepared on behalf of ICAEW by its Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. Comments on public sector financial reporting are prepared with the assistance of the Faculty’s Public Sector Financial Reporting Development Committee. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.
ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW’s regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 147,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
MAJOR POINTS

Support for the consultation paper

1. We favour the close alignment of IPSAS with IFRS and are therefore supportive of the proposed standard on Financial Instruments. The amendments made to IFRS 9 seem sensible and provide additional guidance for public sector specific transactions.

2. We would like to commend the IPSASB staff for their efforts to make the comparison of IFRS 9 and the proposed Financial Instrument standard in the exposure draft. The marked up documents are very helpful.

RESPONSES TO CONSULTATION PAPER REQUEST FOR COMMENTS

Specific Matter for Comment 1:
Consistent with the relief provided in IFRS 9, the 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 IPSASB’s proposal?

3. Yes we agree.

Specific Matter for Comment 2:
The IPSASB recognises that transition to the new standard [draft] IPSAS [x] (ED 62) 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 will be permitted). Do you agree with the proposed 3-year implementation period before [draft] IPSAS [x] (ED 62) becomes mandatory? Please explain.

4. We support the three year implementation period with early adoption permitted, which we understand is a fairly standard approach for new IPSASs.

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?

5. Yes, we agree with the proposed transition requirements.