



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No 15 of 1965)

TEL: (01) 7642294, 7642295
FAX: (01) 4627048
E-mail: info.ican@ican.org.ng
Website: www.ican-ngn.org

PLOT 16, IDOWU TAYLOR STREET,
VICTORIA ISLAND,
P. O. BOX 1580, MARINA,
LAGOS NIGERIA.

Registrar/Chief Executive
ROTIMI A. OMOTOSO MBA, FCA

February 14, 2014

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board (IPSASB)
259 Fifth Avenue, 6th Floor
New York
NY 10017

Dear Stephenie,

First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs): Exposure Draft 53

The Institute of Chartered Accountants of Nigeria (ICAN) has considered the above exposure draft and is pleased to submit its comments.

The Institute is particularly pleased to note the increased attention by the International Public Sector Accounting Standards Board (IPSASB) being paid to development of more transparent and wider acceptable accounting standards for the public sector, particularly at this time when concerns are growing for a more robust system and standards of accounting in the public sector across the world.

Detailed below are the Institute's comments in the context of the Exposure Draft 53 on First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)

Matter for Comment 1:

The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs for the first time.

(a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and

(b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs?



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Comments:

- (a) Yes, we agree.

Reason:

The proposed transitional exemption will allow the public sector entities in developing countries time to develop appropriate record and model for the recognition and measurement of the elements of the financial statement.

Further, in view of the fact that financial statements faithfully represent the performance and financial position of the reporting entities, it would not be proper to rush into adoption of accrual basis IPSAS if the faithful representation of the financial statement cannot be guaranteed.

It will reduce the cost and efforts that would be required to gather information to enable the entity apply the accrual basis IPSAS retrospectively.

- (b) Yes, we believe that the IPSASB achieved its goal in providing appropriate relief to a first time adopter

Reason:

The exemptions, for example, paragraph 32 and 64 which had been provided under this proposed standard are broad based enough to provide adequate relief to a first time adopter. However, it is not clear whether the entity will be required to retrospectively or prospectively recognize and measure the transitional exemptions that impact the fair presentation of financial statement upon the expiration of the three-year transitional period.

Matter for Comment 2:

The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.

(a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and

(b) Do you agree that the individual categorization is appropriate?



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Comments:

- (a) We agree with the proposed differentiation and how it is addressed in the exposure draft.

Reason: We believe that this would enhance the objective of providing broad based relief to first-time adopter. There should be a differentiation between transitional exemptions that do not affect fair presentation and those that do because an entity cannot make an explicit statement about compliance with accrual basis IPSASs unless the transitional exemptions that affect fair presentation and compliance have expired or the relevant items have been recognized and/or measured in accordance with the applicable IPSAS. It would encourage public sector entities and promote wider adoption of accrual basis IPSAS.

- (b) We agree that the individual categorization is appropriate.

Reason: We are of the opinion that this would reduce to the minimum divergence in treatment of financial transactions. The individual categorization is appropriate because it will help reduce the complexities that may be encountered by an entity implementing the standard. By making individual categorizations, It will also help reduce inconsistencies in such implementation

Matter for Comment 3:

This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transit to accrual basis IPSASs.

Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period

Comments:

We believe three years is sufficient time for any first-time adopter to gather relevant data, restructure a system, build staff competences and provide them with all the necessary job support.

Furthermore, a three-year period is a more manageable time frame. Also an entity that proposes to transit to accrual basis IPSAS would have prepared in advance for it. For example



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in Nigeria, the transiting date is expected to be 2015 but affected public entities have known of this for over two years now and have gradually been preparing to effectively complete the transition. Consequently, it is our opinion that three-year is appropriate.

We thank you for giving the Institute the opportunity to contribute to the work of the Board.

Yours sincerely,

Mukaila A. Lawal
for: Registrar/Chief Executive