

17 December 2014

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Chair  
The International Public Sector  
Accounting Standards Board  
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submission via website: [www.ipsasb.org](http://www.ipsasb.org)

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Dear Professor Bergmann,

**Re.: Consultation Paper: The Applicability of IPSASs to Government  
Business Enterprises and Other Public Sector Entities**

The IDW appreciates the opportunity to respond to the Consultation concerning the applicability of IPSASs to government business enterprises and other public sector entities (GBEs) (hereinafter referred to as “the Consultation”).

The IDW supports the Board’s preliminary view and agrees that approach 1, and specifically approach 1a is the most appropriate of the four approaches identified in the Consultation.

Financial reporting standards and financial reporting frameworks can generally only be deemed acceptable when they are applied to circumstances that correspond to the purpose for which they were conceived.

The responsibility for determining which jurisdictions and within a jurisdiction which public sector entities shall apply IPSASs generally lies with relevant national, regional or other authorities. This responsibility does not lie with the IP-SASB. We would also like to point out that auditors also generally have a responsibility in this regard. For example, in establishing whether the preconditions for an audit pursuant to the international standards on auditing (ISAs) are present, the auditor is required – among other things – to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable (see ISA 210.06a and A2-A10).

GESCHÄFTSFÜHRENDER VORSTAND:  
Prof. Dr. Klaus-Peter Naumann,  
WP StB, Sprecher des Vorstands;  
Dr. Klaus-Peter Feld, WP StB;  
Manfred Hamannt, RA

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In this context, we also note that national legislation may, for particular reasons, stipulate that certain public sector entities, such as profit-generating entities, are required to comply with financial reporting frameworks such as IFRS or national GAAP in preparing their financial statements. Creditor protection legislation may be one such reason in many jurisdictions. A variety of further factors, including the information requirements of government statistical agencies may also influence the decision as to the applicability of IPSASs in particular jurisdictions or particular environments.

The IDW agrees with the Board that approach 1a is the most appropriate approach, since it informs such parties as to the IPSASB's intent in drafting the suite of IPSASs, thus assisting those responsible for determining the applicability or acceptability of IPSASs as the applicable financial reporting framework to make informed decisions that take due account of the individual circumstances prevailing.

According to the IPSASB's recently released Conceptual Framework (CF), IPSASs are designed to impart information that is useful for accountability and decision making purposes (Para 2.1 of the CF). Therefore, it would generally be appropriate for IPSASs to deal with the activities of the public sector in as comprehensive a manner as possible.

In our opinion, any per se exclusion of particular activities or particular entities from IPSASs application solely on the basis of specific institutional arrangements or legal forms would be artificial and unlikely to be justifiable in all circumstances. On this basis, we conclude that approach 2 is not appropriate going forward.

Indeed, factors such as the intent for a public sector entity's activities to generate profits will generally not be of primary relevance to users of financial statements in making their overall assessments of the impact of a particular public sector entity's activities and its financial position. Intent as to profitability is also unlikely to be of significant relevance to users in the context of determining the most appropriate financial reporting framework. Instead, users looking at the activities of the public sector as a whole will wish to be assured as to the completeness of the activities of all public sector entities included in consolidated financial statements, where relevant. To the extent that users provide resources they will wish to be informed as to the management of, and use to which such resources have been put (Paras 2.3 et seq. and 2.11 of the CF).

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We appreciate that financial reporting frameworks may be considered acceptable for more than one purpose. Modifications can be made on consolidation as appropriate. In our view, approach 2 should also be rejected, as it would preclude flexibility.

We would be happy to discuss any aspects of this letter.

Yours sincerely,

Klaus-Peter Feld  
Executive Director

Gillian Waldbauer  
Head of International Affairs

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