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July 27, 2012

Ms. Stephanie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West, 6<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on its March 2012 exposure draft (ED 47) entitled *Financial Statement Discussion and Analysis*. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed ED 47 and the FMSB supports the IPSASB's proposal that public sector entities which issue annual financial statements in accordance with International Public Sector Standards 1 should also prepare and present financial statement discussion and analysis, in conjunction with the annual financial statements. We agree that benefits of issuing financial statement discussion and analysis will outweigh the costs for developing such additional information and that it will benefit all users of a public entity's financial statements. We have some general comments and observations about ED 47 that we wish the IPSASB to consider before we provide specific answers to the questions asked in the ED.

In reviewing ED 47, the FMSB felt that several improvements could be made to the guidance offered by the examples in the ED and the specificity of the guidance offered by the IPSASB. Section C, paragraphs C.IG4 through C.IG9 offers guidance on the types of trend and variances that should be provided in the financial statement discussion and analysis. However, the paragraphs do not provide guidance as to the minimum time periods that should be covered by this trend and variance information. Given the importance of this information and the insight it can provide, we would suggest that a minimum time period be specified, say 5 to 7 years.



In a similar manner, paragraphs B.IG20 and B.IG21 which discuss cash flows for the entity might also benefit by the addition of a subsection that requires the reporting entity to provide an analysis of any cash flows that have arisen due to the assistance an entity receives beyond normal taxes and borrowings, such as assistance from another country or entity beyond which an entity normally obtains financing. Similarly B.IG22 might also benefit by specifying that information on any commitments made beyond normal borrowings are required. Lastly, the example of a financial statement discussion and analysis provided in ED 47 appears to be that of a sovereign entity. We suggest that a second example, other than for a sovereign entity, be developed and included in the IPSASB's guidance. The FMSB's answers to the Specific Matter for Comments requested in the Exposure Draft are provided below.

**Specific Matter for Comment 1:**

Do you agree that the material presented in this Exposure Draft should be developed as an IPSAS, with the same level of authority as the accrual based IPSASs, which applies to all entities that prepare financial statements in accordance with IPSASs?

We agree that the material presented in the Exposure Draft 47 should be developed and issued as an IPSAS.

**Specific Matter for Comment 2:**

Do you agree that IPSAS 1 should be amended to clearly indicate that financial statement discussion and analysis is not a component of the financial statements?

We agree that the IPSAS 1 should be amended to indicate that the financial statement discussion and analysis is not a component of the financial statements.

**Specific Matter for Comment 3:**

Is the scope of financial statement discussion and analysis clearly defined so as to distinguish it from other issues being addressed by the IPSASB (e.g., financial statements, service performance reporting, reporting on the long-term sustainability of public finances)?

We agree.

**Specific Matter for Comment 4:**

Is the required content for financial statement discussion and analysis appropriate?

We agree, however see our comments in paragraphs three and four on some matters.

**Specific Matter for Comment 5:**

Do you agree with the transitional provisions?

We agree.

**Specific Matter for Comment 6:**

Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?

Yes, we have found the implementation guidance useful, however see our comments in paragraphs 3 and 4.

**Specific Matter for Comment 7:**

Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?

We agree that the Illustrative Example is a useful way of illustrating the requirements proposed in the IPSAS, however we might suggest that the example be made to illustrate more real world scenarios. We suggest that a second example be developed for a public sector entity that is less than a sovereign nation. This might help financial statement preparers for these entities better understand what is needed for the financial statement discussion and analysis.

We would like to thank you for allowing us to submit our comments to the exposure draft. Should there be any questions regarding our comments, please contact Steven Sossei at [ssossei@agacgfm.org](mailto:ssossei@agacgfm.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric S. Berman', with a long horizontal flourish extending to the right.

Eric S. Berman, CPA, Chair  
AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA  
AGA National President

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Financial Management Standards Board**

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