

**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, December 15th, 2016

Members of the Group

**THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
GOVERNANCE REVIEW GROUP**

REF: **Public Sector Specific Financial Instruments**

Dear Members of the Group,

The Inter-American Accounting Association (IAA) (AIC – in Spanish), welcomes the opportunity to comment on the This Consultation Paper, ***Public Sector Specific Financial Instruments***, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

This reply summarizes the views of different member countries of the IAA, according to the following due process:

Due process:

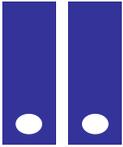
The Draft was submitted to the different IAA member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Antonio Gómez Espiñeira
PRESIDENT



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Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to , “Public Sector Specific Financial Instruments, was developed and approved by the International Public Sector Accounting Standards Board® ”

Preliminary View – Chapter 2

We have the following comments:

(a)

Q. Monetary authority is the entity or entities, including the central bank or a department(s) of the central (national) government, which carry out operations usually attributed to the central bank.

A. Yes, we agree with this definition since we understand that accurately embeds the generalized idea at the global level regarding the subject

b) Reserve assets are those external assets held by monetary authorities that are readily available for balance of payments financing needs, intervention in the currency markets to affect exchange rates and maintaining confidence in the currency and the economy.

Q. Do you agree with the IPSASB's Preliminary View – Chapter 2?

A) Yes, the reserves, mainly the international ones, of a country are composed of resources placed abroad with the accepted international conditions, which the owner can apply in his monetary policy needs. While there are other types of assets such as gold reserves and Special Drawing Rights (SDRs), international reserves are deposits of foreign currencies controlled by Central Banks and other authorities, such as the Ministry of Economy or Treasury in Countries, as well as its economic indicator. It shows, among other things, its ability to pay for its imports, debt service and monetary equilibrium.

Preliminary View – Chapter 3-1

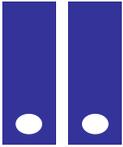
(a) Currency in Circulation is physical notes and coins with fixed and determinable values that are legal tender issued by, or on behalf of the monetary authority, that is, either that of an individual economy or, in a currency union to which the economy belongs.

Q. Do you agree with the IPSASB's Preliminary View – Chapter 3-1?

A. Yes, we agree with the preliminary definition of currency in circulation

Preliminary View – Chapter 3-2

(a) Notes and coins (currency), derive value because they are legal tender and accepted as a medium of exchange and therefore serve the same purpose and function in the economy. As the purpose and function of notes and coins is the same (as noted in paragraph 3.12), the



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IPSASB's view is the accounting treatment should be consistent for both, with the recognition of a liability when issued.

Q. Do you agree with the IPSASB's Preliminary View – Chapter 3-2?

A. Yes, we agree with the preliminary opinion of the IPSASB on the accounting treatment of the issuance of banknotes and coins and the corresponding consideration of the type of liability it generates.

Specific Matters for Comment – Chapter 3-1

(a) When the monetary authority assesses that a present obligation does not exist as a result of the issuance of currency, because of the absence of a legal or non-legally binding obligation (approach 1), it results in the recognition of revenue (approach 2), please explain your view and your thoughts on what is the appropriate financial statement in which to recognize revenue: (i) Statement of financial performance; or (ii) Statement of net assets/equity?

Please provide the reasons for your support of your preferred option, including the conceptual merits and weaknesses; the extent it addresses the objectives of financial reporting and how it provides useful information to users.

A. Yes, we agree with the preliminary opinion of the IPSASB on the accounting treatment of the issuance of banknotes and coins and the corresponding consideration of the type of liability it generates.

Preliminary View – Chapter 4 The key definitions are as follows:

(a) Monetary gold is tangible gold held by monetary authorities as reserve assets.

A. Yes, we agree. It is the definition of widespread acceptance in the countries that own and manage this asset.

b) Tangible gold is physical gold that has a minimum purity of 995 parts per 1000.

Do you agree with the IPSASB's Preliminary View – Chapter 4?

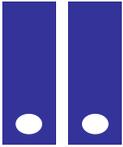
A. Yes, we agree; The same definition was adopted by the IMF.

Preliminary View – Chapter 5-1

The definitions are as follows:

(a) The IMF Quota Subscription is the amount equal to the assigned quota, payable by the member on joining the IMF, and as adjusted subsequently.

A. Yes, we agree that under the IMF founding agreement, the quota (called Special Drawing Rights - SDR) is an amount paid by a country to enter the IMF, which is reviewed and, in general, every five years is adjusted. It is assigned a number of votes in the IMF directory proportional to the quota. Each country member is allocated a quota, which is broadly based on its relative position in the world



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economy, referring the size of its economy relative to that of the world economy, which determines its maximum contribution to resources Of the Fund.

- (b) SDR Holdings are International reserve assets created by the IMF and allocated to members to supplement reserves.
- A. Yes, the SDR is an international reserve asset created by the IMF to supplement the official reserves of member countries whose value is based on five major currencies such as the US dollar, euro, yen, pound sterling and Chinese renminbi, using the exchange rate of these currencies quoted at noon on the London market.**
- c) SDR Allocations are obligations which arise through IMF member's participation in the SDR Department and that are related to the allocation of SDR holdings.

Do you agree with the IPSASB's Preliminary View – Chapter 5-1?

- A. Yes, we agree with the definition of the IPSASB, since the SDR allocations to member countries the IMF makes in accordance with the constituent agreement, in proportion to their contribution quotas in each country.**