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Our Ref: PSD/ED008/2014

29 January 2014

Stephanie Fox,
IPSASB Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2,
Canada.

Dear Stephanie,

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

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft (ED 53) - First-Time Adoption of Accrual Basis IPSASs, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

The Institute believes that the proposed stand alone standard on First-Time Adoption of Accrual basis provides a single reference to transitional provisions currently contained in various standards hence harmonising transition process. The proposed three year transitional relief period is adequate and an allowance to apply exemptions during the transitional period provides relief to first time adopters. We are however of the view that there exist complexities in compliance with this standard especially when dealing with government entities, and suggests that the IPSASB provide more implementation guidance to adopters to carry out certain preparation in advance of the 'date of adoption of IPSASs' thus facilitate compliance within the transition period of 3 years.

We have included our responses to each of the Specific Matters for Comment and IPSASB's Preliminary View in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours Faithfully,

Nixon Omindi

For Professional Standards Committee

See responses to the three ‘matters of comment’ listed as below:

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:

Response: Yes, the proposed transitional exemptions are adequate and they provide a suitable starting point for accounting in accordance with accrual IPSASs.

- 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:

Response: Yes, the objective of providing relief to first-time adopters should be adequately met by the proposed standard. The 3 years is ample time for a first time adopter to compile all necessary information relating to the exemptions provided and also will allow a first time adopter a period to develop reliable models for measuring its assets and liabilities.

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:

Response: Yes, the differentiation is clear, concise and can easily be implemented.

- b) Do you agree that the individual categorization is appropriate:

Response: Yes, this is sufficient.

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 transition 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:

Response: Yes, the 3 years should be sufficient relief as it will allow ample time for first time adopters to develop reliable models for measuring their assets and liabilities. However, some additional implementation guidance may be needed as indicated in the proposal below.

Proposal for implementation guideline;

This ED 53 has provided transition guidance for all IPSAS on first-time adoption. The effect is that in the case of ‘IPSAS17 – Property, plant and equipment’ the transition period has been reduced from 5 years to 3 years. In view of the complexity in implementing compliance with this standard especially when dealing with government entities, there is need to provide more guidance to adopters to carry

out certain preparation in advance of the ‘date of adoption of IPSASs’ to be able to complete the compliance within the transition period of 3 years.

Comments on grammar and spelling

- *there is a misplaced half sentence at the end of paragraph 44 reading ‘A first-time adopter’. This should be deleted;*
- *there is a grammatical error in the second sentence of paragraph 26 that needs correcting;*
- *there are incorrect paragraph referencing in paragraphs 131 and 136 that need correcting;*
and
- *the illustrative table in the implementation guideline IG10 has typing errors in the second and third column. See proposed remedy ‘Present the ~~statement of~~ statement of comparison of budget and.....’*

Other than the above few comments, we have no more to add.