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Public Sector Specific Financial Instruments

I am Denise Juvenal this pleased to have the opportunity to comment on this consultation about Public Sector Specific Financial Instruments. This is my individual commentary for International Federation on Accountants – IFAC/IPSASb.

Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this Consultation Paper, including all Preliminary Views and Specific Matters for Comment. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The Preliminary Views and Specific Matters for Comment in this Consultation Paper are provided below. Paragraph numbers identify the location of the Preliminary View or Specific Matter for Comment in the text.

1- Preliminary View – Chapter 2 (following paragraph 2.9)

Definitions are as follows:

(a) 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.

(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.

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

Yes, I agree with question “a” about monetary authority that 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.

So, in relation question “b” about 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, I have uncertainty in relation reserve assets cannot include internal assets, because, if the government do not have warranty external for balance of payments, the government will not use internal assets for maintain currency markets? In this case, I suggest Board’s, if agrees, contact International Monetary Fund – IMF and others International Key Regulators.

2- Preliminary View – Chapter 3-1 (following paragraph 3.10)

Definition is as follows:

(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.

Do you agree with the IPSASB’s Preliminary View – Chapter 3-1?

Yes, I agree with 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. In my opinion, it is unclear if I consider notes and coins for economic blocks, I suggest the Board’s if agrees, contact IMF and International Key Regulators, principally European Commission in relation the actual experience on Brexit’s, if The Board’s agrees.

3- Preliminary View – Chapter 3-2 (following paragraph 3.30)

(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, the IPSASB’s view is the accounting treatment should be consistent for both (as noted in paragraph 3.12), with the recognition of a liability when issued.

Do you agree with the IPSASB’s Preliminary View – Chapter 3-2?

Yes, I agree with definition (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, the IPSASB's view is the accounting treatment should be consistent for both (as noted in paragraph 3.12), with the recognition of a liability when issued.

In my opinion, it is unclear if I consider notes and coins for economic blocks, I suggest the Board's if agrees, contact IMF and International Key Regulators, principally European Commission in relation the actual experience on Brexit's and I observe focus for market in the jurisdictions actually, is it possible, I do not know, in the world, economic blocks or jurisdiction create new currency that will determine operation of markets around the world, if positive, The Board's needs to understand this impact in this discussion paper.

4- Specific Matters for Comment – Chapter 3-1 (following paragraph 3.43) (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.

I think that the weaknesses in this point has relation a specific internal control and transparency in the activities, I do not know, if IFAC has responsibility for this, I suggest works together IMF and others Key International Regulators, considering corruption in the countries and the transparency in these activities.

5- Preliminary View – Chapter 4 (following paragraph 4.14)

Definitions are as follows:

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

(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?

Yes, I agree with definitions (a) Monetary gold is tangible gold held by monetary authorities as reserve assets and (b) Tangible gold is physical gold that has a minimum purity of 995 parts per 1000. In my opinion, it is unclear if I consider notes and coins for economic blocks, I suggest the Board's if agrees, contact IMF and International Key

Regulators, principally European Commission in relation the actual experience on Brexit's, if The Board's agrees.

6- Specific Matters for Comment – Chapter 4-1 (following paragraph 4.50)

(a) Should entities have the option to designate a measurement basis, based on their intentions in holding monetary gold assets (as noted in paragraphs 4.5-4.6)?

Please provide the reasons for your support for or against allowing an option to designate a measurement basis based on intentions.

Yes, the entities should have the option to designate a measurement basis, based on their intentions in holding monetary gold assets, so for this I think that the government needs to provide the specific laws, internal control and transparency.

7- Specific Matters for Comment – Chapter 4-2 (following paragraph 4.50)

(a) Please describe under what circumstances it would be appropriate to measure monetary gold assets at either:

- i. Market value; or**
- ii. Historical cost?**

Please provide reasons for your views, including the conceptual merits and weaknesses of each measurement basis; the extent to which each addresses the objectives of financial reporting; and how each provides useful information.

If you support measurement based on intentions as discussed in SMC 4-1, please indicate your views about an appropriate measurement basis for each intention for which monetary authorities may hold monetary gold, as discussed in paragraph 4.5 (i.e., intended to be held for its contribution to financial capacity because of its ability to be sold in the global liquid gold trading markets, or intended to be held for an indeterminate period of time).

In my opinion the market value is the best manner to measure monetary gold assets, however, for this is fundamental that the government elaborates high quality: internal control, inspection, transparency in the laws, and responsibility for every involved with this operation, for me, in practice is unclear. In other point, historical cost, is option when the government structure does not have one of options cited before, I have questions in this point, I suggest for the Board's if agrees, that contact International Key Regulators.

8- Preliminary View – Chapter 5-1 (following paragraph 5.12)

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.

(b) SDR Holdings are International reserve assets created by the IMF and allocated to members to supplement reserves.

(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?

Yes, I agree with the IPSASB's Preliminary View, as (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; (b) SDR Holdings are International reserve assets created by the IMF and allocated to members to supplement reserves, and (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.

9- Preliminary View – Chapter 5-2 (following paragraph 5.33)

The IPSASBs view is that:

(a) The IMF Quota Subscription satisfies the Conceptual Framework definition of an asset and should be recognized, with initial measurement at historical cost. Subsequent measurement may be at historical cost when the translated value of the quota subscription equals the cumulative resources contributed to the IMF, when it does not it should be measured at net selling price.

(b) SDR holdings satisfy the Conceptual Framework definition of an asset and should be recognized, with measurement at market value.

(c) SDR allocations satisfy the Conceptual Framework definition of a liability and should be recognized, with measurement at market value.

Do you agree with the IPSASB's Preliminary View – Chapter 5-2?

Yes, I agree with the IPSASB's Preliminary View – Chapter 5-2.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Yours,

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