

3 December 2014

The Chief Executive Officer
Accounting Standards Board
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Dear Sir/Madam

COMMENTS ON THE APPLICABILITY OF IPSASs TO GOVERNMENT BUSINESS ENTERPRISES (GBEs) AND OTHER PUBLIC SECTOR ENTITIES (ED125)

Paragraph references are to the Consultation Paper August 2014 “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities”

Do we agree with the IPSASBs PV, where the GBEs would not be defined

If yes, which option would be best:

- 1.1 Using the current and developing terminology about public sector entities and their characteristics or
- 1.2 Using terminology about public sector entities from the Government Finance Statistics reporting guidelines and explanatory guidance to provide high-level characteristics of public sector entities

If we do not agree with the PV, which option do we prefer

- 2.1 Clarifying the current definition so that it can be applied more consistently rather than modifying it significantly.
- 2.2 Narrowing the current definition of the GBE to profit – oriented entities thereby excluding entities with full cost recovery financial objectives.

The term Government Business Enterprise (GBE) is currently defined in the IPSAS 1 Presentation of financial statements as having the following characteristics:

- An entity with the power to contract in its own name (paragraph 3.7)
- Been assigned the financial and operational authority to carry on business (paragraph 3.8 – 3.9)
- Sells goods / services, in the normal course of business, to other entities at a profit or full recovery of costs. (paragraph 3.10 -3.14)
- Not reliant on a continuing government funding to be a going concern (paragraph 3.15)
- Controlled by a public sector entity(paragraph 3.18 – 3.23)

Option 1.1 is a principles – based approach and leaves the regulators and other authorities to decide on borderline cases. Due to there being no definition, there is no interpretation of the definition required. (paragraph 7.1).

Option 1.2 would not define a GBE. (paragraph 6.13) The companies are responsible for the delivery of goods and services. Their businesses are financed through taxes / or transfers from other levels of government

The IPSASB would take the view that a public sector entity outside this realm, would apply IFRS or other standards to commercially oriented entities.

Sasria's response:

Sasria SOC Ltd is profitable and does not require monies from the government or other levels of government to function, therefore Sasria SOC Ltd should be able to apply IFRS and other standards as commercially oriented entities do.

Option 2.1 Under this option IPSASs will apply to public sector entities other than GBEs. The definition of a GBE will be amended (paragraph 6.17) to be:

- Been assigned the financial and operational authority to carry on business (paragraph 6.19a)
- Sells goods / services, in the normal course of business, to other entities at a profit or full recovery of costs. (paragraph 6.19b)
- Not reliant on a continuing government funding to be a going concern (paragraph 6.19c)
- Controlled by a public sector entity(paragraph 6.19d)

Option 2.2 The GBE definition will be narrowed further to:

- Been assigned the financial and operational authority to carry on business (paragraph 6.23a)
- Sells goods / services, in the normal course of business, to other entities at a profit or full recovery of costs. (paragraph 6.23b)
- Can prepare its financial statements on a going concern basis without being reliant on any continuing government funding(paragraph 23c)
- Controlled by a public sector entity(paragraph 6.23d)
- Definition of a GBE would be – profit making only (paragraph 6.22a)

With reference to the above options, Sasria SOC Ltd would accept Option 1.1 due to the following reasons:


- Sasria SOC Ltd is a GBE in terms of the definition in the **IPSAS 1**.
- **Paragraph 6.7** states that the primary objective of most public sector entities (where IPSASs would be applicable) is to deliver services to the public, rather than to make profits and generate a rate of return to the investor
- **Paragraph 2.1** that “at one end of the spectrum are entities likely to have characteristics similar to the profit-orientated entities for which the International Accounting Standards Board develops and maintains IFRS. Such entities would generally meet the current definition of a GBE”

- **Paragraph 3.1** The IPSASs are designed to apply to the general financial reports of all public sector entities other than GBEs. Public sector entities include national regional and related government entities. The IPSASs do not apply to GBEs. GBEs apply IFRSs.
- **Paragraph 3.5** GBEs include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBE's are no different from entities conducting similar activities in the private sector. GBEs usually operate to make a profit.
- **Paragraph 3.20** The objectives of financial reporting are to provide financial information about the entity that is useful to users of the financial statements and decision makers. Even though we are compared to other public sector entities we are also compared within the insurance industry, and changing from IFRS will be difficult to do this comparison.

Sasria's response:

Sasria SOC Ltd wishes to continue as a GBE and report using IFRS.

Your's sincerely,



Finance Director
Karen Pepler

Date: 3 December 2014
Johannesburg