

7 February 2014

Ms Stephenie Fox  
Technical Director  
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CANADA

Submitted to: [www.ifac.org](http://www.ifac.org)

Dear Stephenie

**ED 53, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)***

**Introduction**

The New Zealand Accounting Standards Board (NZASB) is pleased to submit its comments on ED 53, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* (ED 53).

**General Comments**

The NZASB is pleased the IPSASB has developed ED 53 to provide guidance to entities adopting accrual basis IPSASs.

The NZASB is broadly supportive of the proposals in the ED, including the three year transitional relief period for the recognition and measurement of certain items especially for entities that were previously applying cash accounting. We would prefer that the period be limited to one or two years so that entities' financial statements will be fairly presented with complete and useful information at an earlier date. However, we understand that the IPSASB is trying to encourage the adoption of IPSASs and considers that these broad based relief provisions will assist in this goal.

We note that ED 53 is proposing to make a distinction between entities that are complying fully with IPSASs and those that are in transition to IPSASs. If the IPSASB decides to proceed with the three year transitional relief period, we consider that this distinction would be appropriate. However, we are unsure as to what will happen if an entity announces that it is adopting IPSASs and yet fails to be fully compliant within the three year period.

### **Specific Comments**

The above issue and our other comments are discussed more fully in the Appendix to this letter. If you have any queries or require clarification of any matters in this submission, please contact Aimy Luu Huynh ([aimy.luuhyunh@xrb.govt.nz](mailto:aimy.luuhyunh@xrb.govt.nz)) or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michele Embling', written over a large, light-colored circular scribble.

Michele Embling

**Chair – New Zealand Accounting Standards Board**

Email: [Michele.Embling@xrb.govt.nz](mailto:Michele.Embling@xrb.govt.nz)

## APPENDIX

### Response to Specific Matters for Comment

#### **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; and
- (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?

Please provide a reason for your response.

- (a) We agree with the proposed transitional exemptions that the IPSASB considers would not affect the fair presentation of a first-time adopter's financial statements. We query the usefulness of publishing incomplete financial statements and have concerns about the impact of the exemptions that affect fair presentation and compliance on the public's perception of the quality of IPSASs. For example, we consider that the proposal not to require elimination of inter-entity balances and transactions in the consolidated financial statements of the controlling entity would lead to the consolidated financial statements of the controlling entity being overstated. Although an entity making use of this provision would not be able to assert full compliance with IPSASs, we query the usefulness of such information.
- (b) We agree that a number of the proposals will give appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs. We consider that the proposals relating to deemed cost will assist entities to determine appropriate opening balances for their IPSASs financial statements in a cost effective way. We also support the proposal to encourage, but not to require, a first-time adopter to provide comparative information. Although we consider that comparative information is extremely important, we acknowledge the IPSASB's intention to assist entities to report in accordance with IPSASs, and note that comparatives will be available in subsequent periods.

#### **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, and
- (b) Do you agree that the individual categorization is appropriate?

If not, please provide a reason for your response and provide an alternative approach.

- (a) As noted in our response to Matter for Comment 1, we support the proposed differentiation between the types of exemptions.
- (b) We support the individual classification of the proposals.

**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.

As noted in our response to Matter for Comment 1, we support those proposals that would affect fair presentation. If the IPSASB proceeds with its proposal to give first-time adopters a relief period of three years from the recognition and/or measurement of certain items we would prefer that the period be limited to one or two years so that entities' financial statements will be fairly presented with complete and useful information earlier.

The Exposure Draft has not addressed what will happen if an entity announces that it is adopting IPSASs and yet fails to be fully compliant within the three year period. Could such entities assert they are still transitioning or would no assertion be made?