



International Public Sector Accounting Standards Board  
Mr Andreas Bergmann, IPSASB Chair  
and Mr John Stanford, IPSASB Deputy Director  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada

E-mail: [bgma@zhaw.ch](mailto:bgma@zhaw.ch), [JohnStanford@ipsasb.org](mailto:JohnStanford@ipsasb.org)

30 November 2015

Dear Mr Bergmann, dear Mr Stanford,

**Exposure Draft 56 on the Applicability of IPSASs**

We are pleased to respond to the invitation from the International Public Sector Accounting Board (IPSASB) to comment on Exposure Draft 56 on the Applicability of IPSASs (the Exposure Draft) on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms that commented on the Exposure Draft. "PricewaterhouseCoopers" or 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency, and transparency of public sector financial reporting worldwide.

The Exposure Draft on the Applicability of IPSASs is important as it helps identifying the public sector entities to which IPSASs should apply.

We agree with the IPSASB approach to rely on the current IPSASB literature to provide high-level characteristics of public sector entities for which IPSASs are intended. We do however raise some recommendations in order to enhance consistency in application of the proposed changes.

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*PricewaterhouseCoopers International Limited*  
1 Embankment Place  
London WC2N 6RH  
T: +44 (0)20 7583 5000 / F: +44 (0)20 7822 4652

PricewaterhouseCoopers International Limited is registered in England number 3590073.  
Registered Office: 1 Embankment Place, London WC2N 6RH.



If you would like to discuss any of these points in more detail, please contact Paul Fitzsimon ((+1) 416 869 2322), Jean-Louis Rouvet ((+33) 1 56 57 85 78) or Patrice Schumesch ((+32) 2 710 40 28).

Yours sincerely,

A handwritten signature in black ink, which appears to read 'Patrice Schumesch'.

PricewaterhouseCoopers

## **Background and IPSASB proposed changes to IPSASs and RPGs**

The IPSASB has proposed the following changes to IPSASs and RPGs regarding the types of entities for which it is developing accounting standards:

1. Delete the Government Business Enterprises (GBE) definition in IPSAS 1 'Presentation of Financial Statements';
2. Amend the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs; and
3. Replace the current paragraph 10 in the Preface to IPSASs with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

*The IPSASs are designed to apply to public sector entities<sup>1</sup> that:*

- (a) Are responsible for the delivery of services<sup>2</sup> to benefit the public and/or to redistribute income and wealth;*
- (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,*
- (c) Do not have a primary objective to make profits.*

<sup>1</sup> Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

<sup>2</sup> Services encompasses goods, services and policy advice.

In the Exposure Draft, the IPSASB has listed the proposed changes to all IPSASs and RPGs, which applies to all extant IPSASs and RPGs as of 31 March 2015.

**Do you agree with the changes to IPSASs and RPGs proposed in the Exposure Draft? If not, please provide your reasons.**

We agree with the overall proposed changes set out in the Exposure Draft.

We agree with the proposed description of characteristics of public sector entities for which IPSAS are intended, and a deletion of GBE definition and all references to GBE in IPSASs and RPGs.

We acknowledge the role of regulators and other relevant authorities in each jurisdiction in determining which entities should be required to prepare general purpose financial statements and the suite of accounting standards to be applied. Requirements for the application of accounting standards in the public sector vary from country to country. Some regulators and other relevant authorities prefer to specifically define which organisations should prepare general purpose financial statements. Others prefer to leave space for judgement on the classification of entities and the applicability of rules for preparing general purpose financial statements.

We believe that the proposed changes will enable regulators and other relevant authorities to follow a unique framework which clarifies the scope of IPSASs.

We suggest the following amendments, which in our view would enhance consistency in the way the definition of the scope of entities which need to adopt IPSASs would be applied:

- 1) Paragraphs 2.1 and 2.2 of the Consultation Paper and the 'At a glance' document (on page 2) published by the IPSASB with the Exposure Draft refer to a spectrum along which controlled entities in the public sector could be classified. We recommend that the general description of the characteristics of the organisations to which IPSASs should apply still refer to that spectrum and be accompanied by illustrative examples, which would clarify those circumstances in which application of IPSASs would be appropriate along the spectrum. Application of the principles requires judgment but illustrative examples should in our view at least aim at eliminating inconsistencies in application for entities that are far from each other along the spectrum.
- 2) We draw the IPSASB's attention on the fact that reference to '*capital providers that are seeking a return on their investment or a return of their investment*' under new paragraph (b) should not be used as an excuse to put an entity out of the scope of IPSASs when it has a minor portion of its resources coming from such capital providers. Thus we would suggest a slightly amended wording for paragraph (b) as follows:

*'Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees **rather than by means of resources from** capital providers that are seeking a return on their investment or a return of their investment; and,'*