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October 15, 2014

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Consultative Paper (CP) on the *Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities*. We are pleased that the IPSASB is reconsidering the applicability of its standards in this area.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this consultative paper is one from an international perspective.
3. Our responses to the comments on the specific matters are as follows:
 - a. **Comment 1.** Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give reasons for your view. **Response.** We agree that the IPSASB should limit its review to describing the characteristics of public sector entities for which the IPSAS are intended (Approach 1). In general, we would favor a principles-

based approach (1a), BUT we are very supportive of the idea of harmonizing IPSAS with GFS as in Option 1b. As a practical matter, we would prefer Option 1b since it could provide (optionally) a classification scheme (budgetary entities, extra-budgetary entities, and public corporations) that would meet the segment requirements in the IPSAS as explained in paragraph 4 below. The IMF classifications are well laid out in their publications and do not need further clarification. They are consistent with the United Nation’s System of National Accounts and its sectoral classification. In addition, they are being applied by countries throughout the world. If clarification is needed, IMF advisers are readily available in most countries to explain the classification. Acceptance of these guidelines would be another step forward in our efforts to harmonize the IPSAS with those used by the IMF statistical reporting system.

- b. **Comment 2.** If you do not agree with the IPSASB’s PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give reasons for your view. **Response.** We support the IPSASB’s PV.

4. Other observations are as follows:

- a. To assist in making fiscal policy decisions, we prefer to use the following IMF breakout: budgetary entities, extra-budgetary entities, and public corporations. As a good intermediate step, we would prefer the following presentation since it would eliminate the current difficulties in trying to prepare a whole-of-government statement from those prepared on a cash or accrual IPSAS basis with those from IFRS:

	Budgetary Entities*	Extra- Budgetary*	Public Corporation**
Income	1000	100	1000
Expenses	<u>950</u>	<u>150</u>	<u>750</u>
Subtotal	50	(50)	250
Transfers to/(from)	(100)	100	
Transfers to/(from)	<u>200</u>	<u>50</u>	<u>(200)</u>
Surplus/(Deficit)	<u>150</u>	<u>50</u>	<u>50</u>

*follows cash or accrual IPSAS

**follows IFRS

- b. To assist in making monetary policy decisions, we prefer that the Central Bank be shown as a separate stand-alone financial statement in line with the IFRS.

- 5. We appreciate the opportunity to comment on this CP and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.223.1805.

Sincerely,

S



ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

Iheanyi Anyahara

Anthony Bennett

Steve Glauber

Kennedy Musonda

Hassan Ouda

Anne Owuor

Michael Parry

Maru Tjihumino

Andrew Wynne

Cc: Manuel Pietra
President, ICGFM



Paris, October 17, 2014

LE PRÉSIDENT

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Ms Stephenie Fox
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Re: The Applicability of IPSASsTM to Government Business Enterprises and Other Public Sector Entities

Dear Ms Fox,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Consultation Paper *The Applicability of IPSASsTM to Government Business Enterprises (GBEs) and Other Public Sector Entities* published in August 2014.

We commend the IPSASB for the proposed analysis and for the description of the two approaches discussed in the Consultation Paper.

While we understand the IPSASB's will to take on the responsibility to insure transparency about the types of entities to which IPSASs should apply, we note that, in France, the law, or other legislative text (decrees, etc.), requires the use of public sector accounting principles for general government entities with very few exceptions and border line cases.



As to the approach retained in the Consultation Paper, we think that characterising public sector entities with a view to identify those entities that should apply IPSASs is a more positive way forward than defining GBEs in order to state that they are entities that should not apply IPSASs.

Therefore, we believe that approach 1 is the relevant path forward. It also paves the way to what is to us a fundamental approach in public sector accounting standard-setting: that of identifying those specificities of the public sector that may entail departures from the private sector accounting standards.

In addition, we observe that option 1a *Using IPSASB's current and developing terminology* is the approach that reflects best current practice in France as it leaves room for regulators and relevant authorities to decide on border line cases.

For the reasons above, we concur with the IPSASB's preliminary view that approach 1, and more specifically sub-option 1a, is most appropriate.

Because the comments requested are of a choice between the two approaches set out in the Consultation Paper, we did not feel the need to specifically answer specific matter for comment 2. Details of our response to specific matter for comment 1 are set out in the appendix.

Yours sincerely,

Michel Prada



APPENDIX

Question 1: *Do you agree with the IPSASB's Preliminary View (PV)? If so, do you prefer Option 1a or Option 1b? Please, give the reasons for your view.*

In France, the law, or other legislative text (decrees, etc.), requires the use of public sector accounting principles for general government entities. Very few entities that would meet the characteristics of public sector entities may be required, in some specific instances, to use the private sector set of standards in application of the law. This is often a heritage from ancient times and historic rules that may take some time to overcome. While those borderline cases do not represent the majority of cases within the public sector, we are of the opinion that some flexibility is still needed to allow regulators and relevant authorities to make decisions with respect to the accounting standards that are required to be applied. This leads us to favour option 1a.

Another reason for our preference for option 1a over option 1b is that, while we believe that the scope of public sector accounting standard-setting should mirror that of the general government sector in GFS, we would be concerned in choosing option 1b that accounting standards would introduce terms that specifically serve the purpose of statistical reporting rather than that of financial reporting. Unless those terms are to be further used to depict operations that fall under the scope of other accounting standards, we would be reluctant to introduce them in a description of characteristics of entities that may apply IPSASs. In our opinion, introducing those terms does not help classifying entities as public sector, even more so that regulators and relevant authorities may decide for a different classification. For those reasons, we would still favour option 1a in that it would remain principles-based and still converge with GFS.

Also, given that what will become of the current definition of GBEs in IPSAS 1 *Presentation of Financial Statements* is not addressed in the Consultation Paper, we wonder whether that definition will be merely removed and replaced with the proposed characteristics should option 1 be retained. Because we think that the previous attempt at defining GBEs is nonetheless useful guidance, though not self-sufficient, we would be grateful if the IPSAS Board could provide clarification as to what it is intended to become of that definition. We would encourage the Board to maintain a reference to that definition in the Basis for Conclusions.



In addition, from the viewpoint of consistency with IFRSs, we are of the view that option 1 would be better articulated with the *Preface to IFRSs* where the focus is on profit-oriented entities that are described rather than defined.

Lastly, we would like to remind the IPSAS Board that, to us, it is critical at some point in the near future that it should address the issue of the difference between the scope of consolidation and that of the general government sector. In our opinion, IPSAS 22 *Disclosure of Financial information about the General Government Sector* does not fully deal with the issue. We think that mere reconciliations between consolidated accounts and information from the General Government Sector fail to provide useful financial information to users on the public sector as a whole, even more so since applying IPSAS 22 is not mandatory. Therefore, we would encourage the IPSAS Board to engage in a comprehensive research on the issue of financial information for users drawn from aggregating public sector entities versus consolidating controlled entities.

Question 2: *If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.*

Please, refer to the cover letter.



October 30, 2014

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

**Re: PSAB Staff Comments on Consultation Paper CP on The
Applicability of IPSASs to Government Business Enterprises and Other
Public Sector Entities**

Thank you for the opportunity to provide input on the Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*.

Overall, PSAB staff supports the IPSASB's preliminary view. Responses to the Specific Matters for Comment are set out in the Appendix to this letter and represent the views of PSAB staff and not those of the Public Sector Accounting Board (PSAB).

Thank you again for the opportunity to provide you with input on this Consultation Paper. We hope that you find our comments helpful.

Sincerely,

Joanna Chrzanowski, CPA, CA
Principal
Public Sector Accounting

Joanna Chrzanowski
Principal

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APPENDIX

Responses to Specific Matters for Comment

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please list the reasons for your view.

We agree with the IPSASB's preliminary view and we support option 1a. This is because option 1a:

- is principle based rather than rules oriented;
- is drawn from the *Conceptual Framework*;
- is relatively easy to understand and apply;
- is more closely aligned with GFS reporting guidelines than the current approach or option 2;
- does not create issues with further defining additional terms (as is the case with option 1b, 2a and 2b);
- allows exercise of judgment and acknowledges the role of regulators; and
- addresses the interpretation and lack of flexibility issues that lead to the start of this project.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please list the reasons for your view.

As provided above we agree with the IPSASB's preliminary view.



ACT
Government

Chief Minister and Treasury

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017 United States of America

Dear Ms Fox

Consultation Paper – The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on *Consultation Paper (CP) – The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC commends the IPSASB's ongoing efforts in developing specific requirements and guidance for the public sector. HoTARAC is supportive of IPSASB's CP as it proposes a worthwhile clarification on the range of entities for which IPSASs are intended. In Australia we adopt a transaction neutral approach by applying Australian equivalents to International Financial Reporting Standards (IFRSs) and do not adopt IPSASs. However, IPSASs inform future standard and policy setting and sometimes are used as guidance by financial statements preparers in the absence of specific IFRS equivalent requirements.

HoTARAC agrees with IPSASB's preliminary view (PV). The attachment to this letter sets out HoTARAC's comments on each Specific Matter for Comment.

If you have any queries regarding these comments, please contact Kaveh Daemi from New South Wales Treasury on +61 2 9228 3019 or by email to kaveh.daemi@treasury.nsw.gov.au.

Yours sincerely

David Nicol
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

4 December 2014

ATTACHMENT A

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

HoTARAC agrees with IPSASB's PV and prefers Approach 1 over Approach 2 as it focuses on describing the characteristics of public sector entities for which IPSASs are intended and that will be useful in guiding standard setting.

With an attempt to define what is a GBE or is not a GBE (i.e. Approach 2), there is a risk an entity may fall outside of the scope of both definitions, or the entity could be captured by the definition in a way the IPSASB did not intend. For example, currently IPSAS 1 defines a GBE as an entity that has all of a number of characteristics, including 'is controlled by a public sector entity'. In Australia, some State Owned Corporations we believe should be considered GBEs fall outside of IPSASB's definition because they are owned by the Ministers on behalf of the State, and not by a public sector entity.

HoTARAC supports Option 1a as it uses principles that focus on the fundamental characteristics of public sector entities which in turn determine which set of accounting standards should be applied. Option 1a also provides flexibility for relevant regulators and authorities to determine the applicability of IPSASs to certain public sector entities. In Australia we adopt a transaction neutral framework which requires like transactions and events to be accounted for in a like manner for all types of entities. Australian accounting standards recognise that not-for-profit entities are unique and may have different types of transactions as compared to for-profit entities. As such, our standards include additional guidance for not-for-profit entities in the private and public sectors where appropriate. This approach is consistent with the intention to apply IPSASs to entities that are not profit-oriented.

Option 1b proposes using GFS entity classification guidelines for determining which entities should apply IPSASs. We do not support this approach because the proposed criteria under Option 1b are based on principles that are not specifically derived for financial reporting purposes. Instead, it is based on statistical reporting requirements/concepts. Another reason for not supporting Option 1b is that it will be difficult for IPSASB to control or predict future changes of GFS entity classification guidelines and the impact it may have on IPSASs.

In Australia we use GFS guidelines to distinguish between "General Government Sector" and "Public Trading Enterprises". This is for determining which sector the entities are reported in, but not for the purposes of determining which set of accounting standards should be applied. We believe that for the purposes of financial reporting Option 1a is more relevant and we would expect that well developed principles under Option 1a would be consistent with GFS.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

HoTARAC agrees with IPSASB's PV. Refer to response to Specific Matters for Comment 1.



3 December 2014

The Chief Executive Officer
Accounting Standards Board
PO Box 74219
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Email: info@asb.co.za

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



EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho

11 December 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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CANADA

Submitted to: www.ifac.org

Dear Stephanie

Consultation Paper: The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

The External Reporting Board (XRB) of New Zealand welcomes the release of the Consultation Paper and thanks the International Public Sector Accounting Standards Board (IPSASB) for the opportunity to comment.

The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issue of accounting and auditing and assurance standards in New Zealand.

Background

The XRB has recently established a new Accounting Standards Framework based on a multi-sector, multi-standards approach. For-profit entities in New Zealand have, since 2005-2007, been using standards that are effectively International Financial Reporting Standards (IFRS). Public benefit entities¹ (PBEs) now report using PBE Standards which are based on International Public Sector Accounting Standards (IPSAS).

In adopting IPSASs for PBEs, the XRB did not adopt the IPSASB's definition of Government Business Enterprises (GBE) to determine which entity should apply PBE Standards mainly because of the types of issues with the GBE definition that have been highlighted in the Consultation Paper. The XRB did not consider that the definition appropriately identified the entities that should apply PBE Standards.

Under the Accounting Standards Framework in New Zealand, entities designate themselves as either for-profit entities or PBEs. In New Zealand, PBEs are reporting entities whose primary

¹ Public benefit entities comprise public sector entities and not-for-profit entities. Public sector public benefit entities will apply PBE Standards from 1 July 2014, and not-for-profit public benefit entities will apply these standards from 1 July 2015.

objective is to provide goods and services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders. Appendix A *When is an Entity a Public Benefit Entity* to Standard XRB A1 *Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update)*² provides the necessary guidance to assist the entities to make this designation. Whether an entity is a PBE is determined by the primary objective of the entity. The guidance provides a series of indicators (and examples) that focus on the substance of an entity's purpose and which an entity should consider in determining whether it is a PBE. These indicators are:

- The entity's founding documents;
- The nature of the benefits;
- The quantum of expected financial surplus;
- The nature of the equity interest; and the nature of an entity's funding.

The guidance acknowledges that, in some instances, there may be conflicting indicators and professional judgement is required.

The New Zealand approach is similar in principle to that proposed by the IPSASB as Option 1a. Accordingly, the XRB strongly supports this option because it is appropriate that regulators and other relevant authorities should determine which entities should apply IPSASs within individual jurisdictions.

Specific Matters for Comment

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

The XRB supports the IPSASB's preferred approach (Option 1a within Approach 1) which proposes to describe the characteristics of public sector entities for which IPSASs are intended without formally defining the term GBE.

We also agree with IPSASB's proposed description of the characteristics of public sector entities and that IPSASs are designed to apply to entities that:

- a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth; and
- b) 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 the investment.

² Standard XRB A1 is accessible on: <http://xrb.govt.nz/includes/download.aspx?ID=133368>

We support this option on the basis that it rightly focuses on describing the characteristics of entities for which IPSASs are intended to apply and reflecting the concepts and descriptions in the Conceptual Framework. We support its principle-based approach and the acknowledgement of the role of regulators and other relevant authorities in determining which entities should apply IPSASs within individual jurisdictions.

From New Zealand's perspective, this is consistent with the manner in which we have adopted and applied IPSASs for our PBEs. The option is also consistent with our guidance on how an entity determines if it is a PBE. Option 1a is also consistent with the approach adopted by the IASB and, in this respect, the XRB supports having a consistent and coherent approach across both the for-profit and PBE sectors.

We do not support Option 1b as GFS concepts are not concepts that are commonly used for financial reporting purposes in New Zealand. Moreover, it is our view that the GFS concepts are not sufficiently clear-cut and are too rules-based. We are not in favour of the possibility that the approach may require the introduction of terms and explanations from the GFS literature into the IPSASB literature. We think this may be confusing, especially if the terms are inconsistent with concepts used for financial reporting purposes, for example, the concepts of control and consolidation.

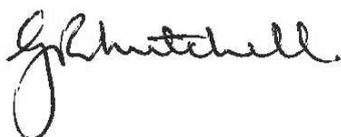
Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

The XRB does not support Approach 2 because we do not consider that it will resolve all the issues with the current definition of GBE. Moreover, not being principle-based, the modified definition is likely to become dated quickly.

If you have any queries or require clarification of any matters in this submission, please contact Lay Wee Ng (laywee.ng@xrb.govt.nz) or me.

Yours sincerely



Graeme Mitchell
Chairman
External Reporting Board



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9th December 2014

ZiCA/12/21/7

**The Technical Director
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CANADA**

Dear Stephenie,

Comments on Consultation paper, the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities.

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the Comments on Consultation paper, the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities, issued by the International Public Sector Accounting Standards Board (IPSASB) issued on 17th August 2014, with the comment period closing on 31st December, 2014.

As pointed out in paragraph 3.18 the objectives of financial reporting and the primary users of financial reports differ for entities that have primarily a service delivery objective and those that are primarily profit-oriented. The inappropriate classification of a public sector entity can lead to the application of financial reporting standards that may include unsuitable requirements. This can impair the quality of the financial information for users and, therefore, undermine the ability of the information to meet the objectives of financial reporting. We therefore, commend the IPSASB on its efforts towards developing this consultation paper so that guidance could be provided to users

The Institute deliberated the ED and our responses to specific questions are as follows:

Question 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

Comment

We do agree with the IPSASB's preliminary view that approach 1, and more specifically sub-option 1a, is most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. The recommended approach is consistent with the approach taken by the IASB for profit-oriented entities.

The Institute believes that the best approach is for the IPSASs to not define a GBE but to instead describe the characteristics of public sector entities for which IPSASs are intended, using the IPSASB's current and developing terminology.

We further support Option 1a because it is a high level, principles-based approach that draws on the Conceptual Framework. In addition it acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.

Therefore, the proposed approach is the way to go.

Question 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

Comment

See our comments to question one (1).

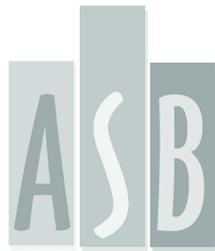
The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

FOR/SECRETARY AND CHIEF EXECUTIVE OFFICER

Chansa A Chiteba

DIRECTOR STANDARDS & REGULATION



Accounting Standards Board

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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Per e-mail

12 December 2014

Dear Stephenie,

COMMENT ON CONSULTATION PAPER ON THE APPLICABILITY OF IPSASs TO GOVERNMENT BUSINESS ENTERPRISES AND OTHER PUBLIC SECTOR ENTITIES

We welcome the opportunity to comment on the Consultation Paper on *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*.

Overall, we are supportive of the IPSASB's reconsideration of its policy on the applicability of IPSASs to GBEs and other public sector entities.

There was support amongst our stakeholders for the preliminary view expressed by the IPSASB, with clear support for Option 1(a), and no support for Option 1(b). A number of issues were however identified with each of the options. These issues, along with our proposals, are reflected in the responses to the specific matters for comment and the preliminary view. These are included as Annexure A to this letter.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating our comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Board Members: Mr V Jack (Chairperson), Mr S Badat, Ms T Coetzer, Mr B Colyvas, Ms CJ Kujenga,
Mr K Kumar, Mr K Makwetu, Mr G Paul, Ms N Ranchod, Ms R Rasikhinya, Mr M Sass

Alternates: Ms L Bodewig, Ms L le Roux

Chief Executive Officer: Ms E Swart



Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

A handwritten signature in cursive script that reads "Stuart".

Chief Executive Officer

ANNEXURE A – DETAILED RESPONSES

Preliminary View

The IPSASB expressed a unanimous preliminary view (PV) that Approach 1 is the best way forward. A majority of IPSASB members expressed a PV on support for Option 1a.

Specific Matter for Comment 1:

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

Option 1a: using IPSASB's current and developing terminology

We support the IPSASB's preliminary view, with clear support for Option 1a, as it reflects the concepts and descriptions developed in the *Conceptual Framework*. We believe that it is important for the IPSASB to draw on these concepts as it confirms the fundamental importance of the *Conceptual Framework's* role in the future of global public sector standard setting and the IPSASB's standard setting activities.

We believe that when the regulators and other relevant authorities in each jurisdiction understand the foundational concepts in the *Conceptual Framework* they will be able to apply better judgement in determining which entities should be required to prepare general purpose financial statements and the appropriate reporting framework for those entities.

Option 1a outlines the high level characteristics of public sector entities for which the IPSASB develops IPSASs. We are concerned that these high-level characteristics will be difficult to interpret and apply in different jurisdictions. To avoid these application and interpretation issues, we believe that clear supporting guidance should be provided for certain aspects of these characteristics. Clear guidance would also assist in establishing a clear boundary between public sector entities that should apply IPSASs, and other entities such as GBEs which should apply IFRSs (or a national equivalent).

The discussion that follows outlines those areas where we believe additional guidance or commentary would be useful to ensure consistent interpretation and application of the characteristics.

(a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth.

This characteristic suggests that a public sector entity will use its assets, which are non-cash-generating in nature, to provide goods and services to the public. We are concerned that the characteristic may be open to different interpretations, especially where an entity's objective is to use the assets to make a profit and to fulfil its community service obligations.

We propose that supporting guidance is included to assist jurisdictions with addressing these instances, particularly when it is not immediately clear whether the assets held are non-cash-generating or cash-generating. We believe that the supporting guidance could be based on paragraph 6.23(b) of the revised definition in option 2b in the Consultation Paper. We believe it would be useful to clarify that a public sector entity is not an entity which delivers services in the normal course of its business, to other entities (i.e. individuals and non-government organisations as well as other public sector entities outside the reporting entity) with a profit-oriented objective.

(b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees.

This characteristic indicates that the activities undertaken by public sector entities may be financed from various sources, including charging of fees. In our view, this characteristic is also open to different interpretation, as it does not clearly state the nature of the fees that can be charged and/or the basis on which these fees can be charged by public sector entities.

Similar to the shortcomings identified in (a) above, we believe that there is a need for explanatory guidance to be provided to clarify the nature and basis of the fees that can be charged by public sector entities. We propose that the guidance should reflect the notion that a public sector entity may charge a fee to recipients of services to recover some or all of the costs of providing the services without the aim of making a profit.

At present, this characteristic merely indicates that a public sector entity is one which is financed directly or indirectly through taxes and transfers from other levels of government. There are many entities that receive funding from government in these forms. For example some GBEs might receive transfers from government for undertaking certain activities, to undertake capital projects etc. What is important is the extent to which an entity is funded by such transfers, as well as the nature of the funding received.

The guidance in paragraph 6.18(d) of the Consultation Paper, which clarifies the terms *not reliant+* and *continuing government funding+* in relation to the paragraph 6.19(c) of the revised definition under option 2a, could be useful in describing the nature of the funding received. As such, the guidance should explain that a public sector entity will be substantially dependent on continuing government funding to fund its ongoing operations.

(c) Do not have capital providers that are seeking a return on their investments or a return of the investment.

We question whether this requirement provides a solid boundary between a public sector entity and other types of entities. Our stakeholders noted that it is unclear what is meant by *do not have capital providers that are seeking a return on their investments+*. In particular, whether it is the existence of the capital providers that distinguishes public sector entities from other entities, or that they are not seeking a return.

We noted that the notion of *not seeking a return on their investment+* can be difficult to apply because the capital provider can hold the investment for purposes other than to receive a return on its investment. This in itself would not mean that the entity is a public sector entity. The following illustrates this point:

- In some jurisdictions, there may be entities with capital providers which have surrendered a return on their investments for strategic purposes. For example, a government may invest in an entity that controls ports, railways and other strategic assets/operations, and foregoes returns on its investment on the premise that it is given preferential access to those assets/operations in specific circumstances. The fact that government is clearly not seeking a return does not mean that the other organisation is a public sector entity.
- In other instances, there may be capital providers that exist and are theoretically making a return but have elected not to seek that return for policy decisions, for

example, to ensure that any returns are used to grow the operations or make the entity more sustainable.

Our stakeholders also noted that clarity is required about whether %capital providers+ refers to providers of debt capital or equity capital.

While we accept that the entity would need to demonstrate the other characteristics to conclude that it is a public sector entity, we were not persuaded that the mention of capital providers and their not seeking a return as outlined in the Consultation Paper is useful in distinguishing public sector entities from other entities.

Option 1b: using Government Finance Statistics reporting guidelines and explanatory guidance

We do not support the IPSASB's proposal to use Government Finance Statistics (GFS) reporting guidelines in option 1b. We believe that the use of GFS reporting guidelines would only be useful and well understood in those jurisdictions that are familiar with the GFS reporting guidelines. The relative importance of the GFS reporting guidelines in the context of the preparation of financial statements may differ from jurisdiction to jurisdiction. For example, from a South African perspective, the GFS reporting guidelines are only understood, considered and applied by statisticians, and economists and other professionals from the National Treasury and the central bank. Accounting professionals working in other government organisations preparing financial statements do not consider or apply GFS reporting guidelines at all.

Apart from the fact that only a limited number of individuals within a jurisdiction may consider, apply and understand the GFS reporting guidelines, we believe that the objectives of the GFS reporting and the IPSASs differ fundamentally. The objective of the GFS reporting guidelines is to evaluate the impact of the general government and public sector on the economy while IPSAS-based financial statements are used to evaluate financial performance and position, hold management accountable, and inform decision making. Because the objectives of the two reporting frameworks are different, their users are also different, and will result in fundamental differences on how and what information is reported.

During our consultation process, our stakeholders made the observation that the application of the proposed characteristics under this option could result in those GBEs that operate in monopolistic environments no longer being classified as GBEs. They noted that such entities may not be able to demonstrate that they sell goods and services at economically significant prices because they are usually the sole supplier of the goods and services and may not have discretion about adjusting supply based on price. As a result these entities are likely to be public sector entities under Option 1b, even though they have a profit-making objective.

Stakeholders indicated that they found the concept of %economically significant prices+, and how this could be assessed, useful. In particular, they noted that the idea of what is considered an economically significant price (as outlined in paragraph 6.14 of the Consultation Paper), together with the assessment of 50% sales to cost ratio over several years, is a useful boundary for classifying entities.

Although we do not support Option 1b, certain aspects may be useful in clarifying certain characteristics of option 2, should this option be supported by respondents. This is discussed under our response to specific matter for comment 2.

Specific Matter for Comment 2:

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

While Approach 2 aims to resolve the current problems in the application of the current definition of GBE, we have reservations with the Approach as it is difficult to define what a GBE is given different legal and policy issues applicable to GBEs in each jurisdiction. As such, we support the principle based approach taken in Approach 1 and the linkages to the *Conceptual Framework*. While we agree in principle that some of the changes made to clarify and/or modify the current definition may be useful, we are not in support of the two options as outlined below.

Option 2a: clarifying the current definition

While we support option 1a, if option 2 is supported by other respondents, our stakeholders suggested the use of the following GFS concepts.

Paragraph 3.14 of the Consultation Paper indicates that the treatment of government subsidies received by an entity on its goods and services is unclear in determining whether it has recovered its costs in full or not. Stakeholders suggested that guidance, similar to that of the GFS reporting guidelines outlined in paragraph 5.16, should be developed that requires an assessment of the nature of subsidies and its impact on full cost recovery.

In addition, we question whether the reference to % at a profit or to achieve recovery of all fixed and variable costs of the *reporting period* would result in a change in classification of an entity as a GBE in those reporting periods when the profit or full cost recovery objective is not achieved. If adopted, we would suggest that supporting guidance, similar to that of the GFS reporting guidelines, be developed for the assessment to be undertaken over a sustained multiyear period rather than a single reporting period. It will clarify that entities making losses at a particular point in time can also be considered a GBE. Alternatively, it should be clear that the intention of the entity is considered in making this assessment, rather than whether full cost recovery is achieved or not.

Option 2b: narrowing the current definition

Our stakeholders indicated no support for option 2b as it may result in some entities applying a different reporting framework from year to year. For instance, depending on the funding, being a going concern could change from one year to the next.

We recognise that a specific quantitative threshold should not be applied to determine the level of reliance on government funding. However, we believe it is important to clarify at what level the government funding received by an entity becomes so significant that it impacts its ability to conduct commercial activities.

We also agree with the IPSASB's observation that the application of option 2b would restrict the number of entities that meet the definition of a GBE. From a South African perspective, there are GBEs that operate with a full cost recovery objective and also receive financial support from government, and would therefore not meet the proposed

definition of a GBE under this option. In South Africa all GBEs have a mandate to address some policy objective such as providing services to recipients in remote areas, where under a profit objective no services could be rendered economically.



RIKSREVISIONEN

Response to IPSASB Consultation Paper

The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities

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The Swedish National Audit Office (Swedish NAO) would like to thank for the opportunity to comment on the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities. The issues is of the highest interest and affect how the IPSAS are used and applied in the public sector. Unclear definitions could cause avoidance to apply IPSAS, where otherwise relevant.

The Swedish NAO prefer option 1a. The rationale for our preference is that:

- International accounting standard should be principle based allowing national regulators to set national requirements.
- This option is aligned with the Conceptual Framework and we should minimize any deviations from the framework.
- In our opinion alignment with the GFS terminology is doubtful on this stage. There are more and more voices raised requiring alignment between accounting standards and principles for statistical reporting and we are aware of the ongoing IPSASB project on this theme. Though it might be too early to start using GFS definitions, before there is a proper analysis done. Besides, we have to bear in mind that the information from the statistical reporting and the financial reporting are two different sources of information used for different purposes. Another issue is that there are different statistics reporting frameworks and if IPSAS is aligned with one then the other falls out of scope, which might lead to confusion.

Aleksandra Popovic
SENIOR AUDIT DIRECTOR



17 December 2014

Prof. Dr. Andreas Bergmann
Chair
The International Public Sector
Accounting Standards Board
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Dear Professor Bergmann,

**Re.: Consultation Paper: The Applicability of IPSASs to Government
Business Enterprises and Other Public Sector Entities**

The IDW appreciates the opportunity to respond to the Consultation concerning the applicability of IPSASs to government business enterprises and other public sector entities (GBEs) (hereinafter referred to as "the Consultation").

The IDW supports the Board's preliminary view and agrees that approach 1, and specifically approach 1a is the most appropriate of the four approaches identified in the Consultation.

Financial reporting standards and financial reporting frameworks can generally only be deemed acceptable when they are applied to circumstances that correspond to the purpose for which they were conceived.

The responsibility for determining which jurisdictions and within a jurisdiction which public sector entities shall apply IPSASs generally lies with relevant national, regional or other authorities. This responsibility does not lie with the IPSASB. We would also like to point out that auditors also generally have a responsibility in this regard. For example, in establishing whether the preconditions for an audit pursuant to the international standards on auditing (ISAs) are present, the auditor is required – among other things – to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable (see ISA 210.06a and A2-A10).

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB;
Manfred Hamann, RA



page 2/3 to the comment letter to the IPSASB dated 17 December 2014

In this context, we also note that national legislation may, for particular reasons, stipulate that certain public sector entities, such as profit-generating entities, are required to comply with financial reporting frameworks such as IFRS or national GAAP in preparing their financial statements. Creditor protection legislation may be one such reason in many jurisdictions. A variety of further factors, including the information requirements of government statistical agencies may also influence the decision as to the applicability of IPSASs in particular jurisdictions or particular environments.

The IDW agrees with the Board that approach 1a is the most appropriate approach, since it informs such parties as to the IPSASB's intent in drafting the suite of IPSASs, thus assisting those responsible for determining the applicability or acceptability of IPSASs as the applicable financial reporting framework to make informed decisions that take due account of the individual circumstances prevailing.

According to the IPSASB's recently released Conceptual Framework (CF), IPSASs are designed to impart information that is useful for accountability and decision making purposes (Para 2.1 of the CF). Therefore, it would generally be appropriate for IPSASs to deal with the activities of the public sector in as comprehensive a manner as possible.

In our opinion, any per se exclusion of particular activities or particular entities from IPSASs application solely on the basis of specific institutional arrangements or legal forms would be artificial and unlikely to be justifiable in all circumstances. On this basis, we conclude that approach 2 is not appropriate going forward.

Indeed, factors such as the intent for a public sector entity's activities to generate profits will generally not be of primary relevance to users of financial statements in making their overall assessments of the impact of a particular public sector entity's activities and its financial position. Intent as to profitability is also unlikely to be of significant relevance to users in the context of determining the most appropriate financial reporting framework. Instead, users looking at the activities of the public sector as a whole will wish to be assured as to the completeness of the activities of all public sector entities included in consolidated financial statements, where relevant. To the extent that users provide resources they will wish to be informed as to the management of, and use to which such resources have been put (Paras 2.3 et seq. and 2.11 of the CF).



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We appreciate that financial reporting frameworks may be considered acceptable for more than one purpose. Modifications can be made on consolidation as appropriate. In our view, approach 2 should also be rejected, as it would preclude flexibility.

We would be happy to discuss any aspects of this letter.

Yours sincerely,

Klaus-Peter Feld
Executive Director

Gillian Waldbauer
Head of International Affairs

494/584

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee (SRS)

Stephenie Fox
Technical Director
International Public Sector
Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2
CANADA

Lausanne, December 15, 2014

Swiss Comments to

CP The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

Dear Stephenie,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to CP The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Consultation Paper in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Swiss Comments to CP The Applicability of IPSASs to Government Business Enterprises and Other
Public Sector Entities

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)
Conseil suisse de présentation des comptes publics (CSPCP)
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)
Swiss Public Sector Financial Reporting Advisory Committee (SRS)

Swiss Comment to

CP The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed the *Consultation Paper The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* and comments as follows.

2. General Remarks

The SRS-CSPCP welcomes that the IPSAS Board is communicating its view on the entities to which IPSASs apply and to which they do not apply. It is important that all entities that are defined as public sector entities and are not Government Business Enterprises apply the same accounting principles and potentially IPSAS. In this way the consolidation work can be simplified. Consequently it is necessary to clarify to which public entities that are not GBEs the IPSAS apply.

3. Specific Matter of Comment 1

It is difficult to define GBEs exactly, as Option 2 proposes. It is more logical to define which entities must use IPSASs than to define which entities do not have to use IPSASs. Further Option 1 is in practice easier to realise, because it represents a principle-based approach. The SRS-CSPCP therefore in principle supports the principle-based Option 1.

Furthermore Option 1a is preferred to Option 1b. The Government Finance Statistics (GFS) Reporting Guidelines have proved to be very useful for the classification of public sector entities and their distinction from private sector entities, but financial statistics make no statements about the accounting principles to be applied. Public sector entities, which are a part of the General Government Sector (GGs per IPSAS 22) and are termed General Government Units, should of course apply IPSASs. On the other hand the units termed public corporations under GFS account either under IPSAS or IFRS. The 50% rule applies: where its market sales are consistently below 50% of its production costs, the unit is classified to the GGS. In such a case the entity applies IPSAS.

The SRS-CSPCP therefore supports Option 1a. However, the characteristics for public sector entities that are not part of the General Government Sector (GGs) and are not GBEs should be supplemented as follows:

- The entity's objective is not profit earning (not profit oriented). Certain entities may be financed out of taxes, others not. The method of financing is therefore not a consistent criterion in order to know whether an entity must apply IPSAS.
- It is possible that in certain cases the entities that apply IPSAS may earn a profit without this being for them a genuine objective. The reason why these entities must draw up their annual accounts in accordance with IPSAS is that, if the entity were repeatedly to suffer losses, the losses would be financed by another public sector entity via a transfer.

Further, the SRS-CSPCP would like a more detailed explanation of what is meant by the direct or indirect financing of activities of public sector entities as mentioned in Section 6.8 (b).

4. **Specific Matter of Comment 2**

The SRS-CSPCP is of the opinion that Option 2b is useful, but would be difficult to apply because an exact definition of GBES, that do not have to apply IPSASs, is difficult.

Lausanne, November 19, 2014



Australian Government
**Australian Accounting
Standards Board**

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18 December 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

**IPSASB Consultation Paper *The Applicability of IPSASs to Government Business
Enterprises and Other Public Sector Entities***

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASBs Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*.

In response to Specific Matter for Comment 1, the AASB agrees with the IPSASBs preliminary view that Approach 1 is the most appropriate and supports option (a).

The AASB agrees that it is not within the IPSASB's mandate to state that Government Business Enterprises apply IFRSs as this is a role for the relevant jurisdictional regulator. Further, the AASB supports option (a) because:

- GFS terminology is generally not well understood by constituents, unlike the IPSASB terminology that is proposed to be used in option (a); and
- If GFS terminology were to be used, the IPSASB would be reliant on third party literature. Any change to GFS reporting guidelines would be outside the IPSASB's control. Therefore, if these guidelines changed then the wording in the IPSAS *Preface* would also have to be changed.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@aab.gov.au).

Yours sincerely,

A handwritten signature in blue ink that reads 'K. E. Peach'.

Kris Peach
Chair and CEO



19 December 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
529 Fifth Avenue
6th Floor
New York
NY 10017 USA

Dear Ms Fox,

**IPSASB Consultation Paper – The Applicability of IPSASs to Government
Business Enterprises and Other Public Sector Entities**

Please find enclosed the Australasian Council of Auditors-General (ACAG) response to the above Consultation Paper. The views expressed in this submission represent those of all ACAG members within Australia, New Zealand, Papua New Guinea and Fiji.

ACAG supports the endeavours of the International Public Sector Accounting Standards Board (IPSASB) to enhance guidance and clarify the application of International Public Sector Accounting Standards (IPSASs) to public sector entities. Overall ACAG agrees with the IPSASB's preliminary view that Approach 1 is the best way forward. This approach removes the need to define Government Business Enterprises (GBEs) in IPSASs.

In particular, ACAG is of the view that Option 1(a) is most appropriate having regard to the IPSASB's ultimate objective of consistent application of IPSASs to the public sector entities for which they are intended.

However, ACAG proposes modifications to the characteristics of public sector entities for which IPSASs are intended as outlined in paragraph 6.8 of the Consultation Paper. The proposed modifications would provide a wider scope for intended public sector entities that can apply IPSASs. ACAG believes that the scope of IPSASs should not only capture entities that are within the General Government Sector (GGS), but also potentially other entities outside the GGS that have a primary objective of service delivery rather than profit generation.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely



Simon O'Neill

Chairman
ACAG Financial Reporting and Auditing Committee

CC AASB

Attachment

Specific matters for comment

Specific Matters for Comment 1 - Do you agree with the IPSASB's preliminary view? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

ACAG agrees with the IPSASB's preliminary view that Approach 1, and more specifically Option 1a, is the most appropriate way forward.

Option 1

Describing the characteristics of public sector entities for which IPSASs are intended. Under this approach, GBEs would not be defined.

There are two options within this approach:

(a) Using IPSASB's current and developing terminology; or

ACAG agrees with the IPSASB's majority view that the most appropriate option is to use IPSASB's current and developing terminology to better describe the characteristics of public sector entities for which IPSASs are intended.

Describing the characteristics of public sector entities for which IPSASs are intended

Firstly, Option 1(a) would clarify the characteristics of public sector entities to which IPSASs are intended to apply. This option is particularly relevant given that the term "public sector entities" is currently not described in the Handbook of International Public Sector Accounting Pronouncements, 2014 Edition (the Handbook).

Having said that, it is noted that paragraph 4.1 of Chapter 4 Reporting Entity of the Handbook provides that:

"A public sector reporting entity is a government or other public sector organisation, program or identifiable area of activity (hereafter referred to as an entity or public sector entity) that prepares GPFRs."

Chapter 4 further explains the key characteristics of public sector reporting entities that should prepare GPFRs given the reliance and expectation of relevant constituents/service recipients/resource providers on such financial information for accountability and decision making purposes.

While Chapter 4 of the Handbook is useful in providing guidance on the purpose of GPFRs in the context of public sector reporting entities, Chapter 4 (or any other section of the Handbook) does not describe the characteristics of a public sector entity. The concept of a public sector entity is therefore left open for interpretation based on a common understanding of the nature of a public sector entity.

Secondly, Option 1(a) is in keeping with the approach of the International Accounting Standards Board (IASB) of describing the characteristics of, but not defining, "profit-oriented entities" in International Financial Reporting Standards (IFRSs), in the *Preface to International Financial Reporting Standards* or in other supporting documents. Aligning the approaches used by the IPSASB and IASB could potentially benefit regulators and other relevant authorities in determining which reporting framework should be applied for borderline cases.

Finally, ACAG agrees with the IPSASB's comments in paragraphs 6.5-6.7 of the Consultation Paper in that using Option 1(a) will reflect the concepts and descriptions in the *Conceptual Framework*. It makes sense for the IPSASB to be consistent in its approach in all its publications, including the *Conceptual Framework*, the IPSASs and the Recommended Practice Guidelines.

However, ACAG proposes that paragraph 6.8 is modified - with the view of not overly restricting the scope of public sector entities that can apply IPSASs.

Modification to Paragraph 6.8(a)

To reiterate, the characteristics of public sector entities are outlined in Paragraph 6.8 of the Consultation Paper as:

“IPSASs are designed to apply to entities that:

- (a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;
- (b) 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 the investment.”

ACAG proposes that paragraph (b) is removed from the definition, with paragraph (a) amended as follows:

“IPSASs are designed to apply to entities whose principal objective is not the generation of profit and that are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth.”

The current wording in paragraph 6.8, by including part (b), appears to exclude self-financing entities and to be designed to capture only entities within the GGS (as stated to be the IPSASB's intention in paragraph 6.15) in the scope of IPSASs. ACAG does not support this view, but believes that the scope of IPSASs should not only capture entities that are within the GGS but also potentially other entities outside the GGS that have a primary objective of service delivery rather than profit generation.

ACAG believes that the principles for applying IPSASs should focus on the nature of the entity's activities, rather than its sources of funding which the IPSASB has acknowledged has caused issues with interpretation. Therefore, ACAG believes that only part (a) of paragraph 6.8 is necessary. This is supported by paragraph 6.7 that acknowledges that the draft Preface to the IPSASB Conceptual Framework indicates that “the primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a rate of return to investors” (i.e. no reference is made to sources of funding).

In addition, ACAG proposes the inclusion of the characteristic that the entity's principal objective is not the generation of profit. This addition has the benefits of:

- incorporating the main clarification from Approach 2; and
- establishing a direct point of comparison with the scope of IFRSs.

(b) Using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance

ACAG does not support Approach 1(b).

ACAG understands that it is the IPSASB’s policy to reduce unnecessary differences between IPSASs and GFS reporting guidelines. Overall, ACAG agrees that the IPSAS’s framework should be consistent with GFS reporting principles on a holistic basis. However, ACAG does not agree that GFS reporting guidelines and explanatory guidance should be adopted to form part of the IPSASB literature.

ACAG is of the view that GFS reporting is in substance more economics than accounting principles based. This is reflected in the phrases used in the GFS reporting guidelines such as “economically significant prices”, “market producers”, “non-market producers”, etc.

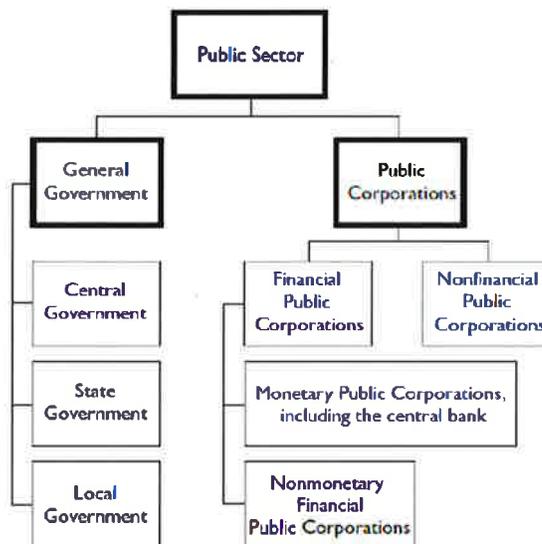
While it is the IPSASB’s intention to clarify the meaning and use of these phrases as part of this consultation process, ACAG is of the view that doing so is introducing non-accounting terms into accounting literature which may not necessarily provide clarification but potentially add another layer of complication in interpretation.

Public sector entities and Public Sector – definitions and scope

Further, in accordance to GFS reporting guidelines, the Public Sector consists of the General Government Sector (GGS) and the government-controlled entities, known as public corporations. The latter are comprised of Financial Public Corporations and Non-financial Public Corporations whose primary activity is to engage in commercial activities (refer to extract “Figure 2.2: The Public Sector” flow chart below).

Coverage of the GFS System

Figure 2.2: The Public Sector



Source: Para 2.62 Government Finance Statistics Manual 2001

The Public Sector concept under GFS reporting contrasts with the concept of public sector entities as envisaged by the IPSASB, even though it is the IPSASB’s intention that only the description of GGS be adopted (Note that ACAG does not support this overly restrictive scope of IPSASs as explained above).

The meaning of public sector entities is outlined in paragraph 6.13 of the Consultation Paper as:

“IPSASs are designed to apply to entities that:

- (a) Are responsible for the delivery of goods services to the community or to individual households on a non-market basis and make transfer payments to redistribute income and wealth;*
- (b) Finance their activities, directly or indirectly, mainly by means of taxes, contributions and/or transfer from other levels of government.”*

The definition above is more in line with the meaning of GGS rather than of a public sector entity under GFS reporting guidelines. In fact, the characteristics of a government are closely aligned with the definition above as stated in Paragraph 2.1 of the GFS Manual 2001:

“...The principal economic functions of a government are (1) to assume responsibility for the provision of goods and services to the community on a nonmarket basis, either for collective or individual consumption, and (2) to redistribute income and wealth by means of transfer payments. An additional characteristic of government is that these activities must be financed primarily by taxation or other compulsory transfers...”

Therefore, the public sector entities definition as proposed by the IPSASB is at odds with the composition of the Public Sector under the GFS System. It could be argued that this may create confusion on the concept of public sector entities and public sector between the two different reporting frameworks.

Borderline cases

Specific guidance for borderline cases such as quasi-corporations, restructuring agencies, special purpose entities and joint ventures are explained in the System of National Accounts 2008 instead of in the GFS Manual 2001. While arguably the guidance can be helpful to differentiate a GBE from a public sector entity, the extended guidance is prescriptive and therefore not in line with the IPSASB's principles-based philosophy. Further, such a prescriptive approach tends to provide 'bright lines' on structuring opportunities for entities to tailor to their reporting environment.

It is therefore difficult to see the benefits of adopting the GFS reporting guidelines to further enhance and clarify the IPSASB's reporting framework.

Specific Matters for Comment 2 - *If you do not agree with the IPSASB's preliminary view, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give reasons for your view.*

Option 2 Modifying the current definition of a GBE in IPSAS 1, in order to resolve problems in its application.

This could be done in two ways:

- (a) Clarifying the current definition of a GBE; and/or**
- (b) Narrowing the existing definition of a GBE**

ACAG agrees with the IPSASB's preliminary view of Approach 1. Therefore, ACAG has no further comments on Specific Matter for Comment 2.

Other comments

Consultation paper Reference	Original Text	ACAG comments
Para 5.13	<i>... "they are centers of decision-making for all aspects of economic behaviour.</i>	This sentence is missing the end quotation.
Para 5.13	<i>But if the institutional unit is a restructuring unit, whatever its legal status, acts as a direct agent of the government, is not a market producer and its main function is to redistribute national income and wealth, channeling funds from one unit to the other, then it should be classified in the GGS.</i>	This sentence is difficult to read. ACAG suggests the following: But if the institutional unit is a restructuring unit (whatever its legal status), acts as a direct agent of the government, is not a market producer and its main function is to redistribute national income and wealth (channeling funds from one unit to the other), then it should be classified in the GGS.
Para 6.4	<i>The current approach may assist...</i>	The expression "current approach" in this context is confusing. It could mean the current approach adopted by IPSASB before any changes are made as a result of the Consultation Paper; alternatively it could be interpreted as the current approach being discussed in the section of the Consultation Paper. ACAG suggests replacing "current approach" with "Approach 1".
Para 6.23(b)	<i>Delivers good and services, in the normal course of its business, to individuals and nongovernment organizations as well as other public sector entities with a profit-oriented objective;</i>	The position of "with a profit-oriented objective" at the end is confusing as it could be interpreted that the "other public sector entities" to which the GBE delivers goods and services must have a profit-oriented objective. ACAG suggests the following: Has a profit-oriented objective in delivering goods and services, in the normal course of its business, to individuals and nongovernment organizations as well as other public sector entities.



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The Technical Director

International Public Sector Accounting Standards

New York

15th December, 2014

Dear Sir,

Comments on the Applicability of IPSASs to Government Business Entities (GBEs) and Other Public Sector Entities.

We are pleased to comment on the above Consultation Paper as follows:

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? – No, we have a different view with the IPSASB's preliminary view.

Rationale for not supporting option 1(a) and (b)

Option 1(a) is a principles based approach utilizing IPSAS terminology (makes it easier for those versed in IPSAS to apply) to define the characteristics of public sector entities, but it does not provide much by way of guidance on borderline cases. Option 1(b) defines the characteristics of public sector entities that are developed using the "GFS reporting guidelines description of the GGS". With option 1(a) and 1(b), the term GBE will be excluded from IPSAS terminologies. The rationale is that regulators should be able to assist with the determination of which entities within the Public Sector that should apply IFRS.

The questions to ask are as follows:

- a) Are there clearly established bodies in all jurisdictions designated as regulators in the accounting profession?
- b) Are all regulatory bodies appropriately staffed with qualified personnel to be able to deal with the complex issues of which entity within the public sector falls outside the scope of GGS and therefore should apply IFRS?

- c) Where each individual regulator in different jurisdictions determine (by their own developed criteria) the entities falling outside the scope of the GGS, would we still have an international standard that is comparable across jurisdictions and also achieve international harmonisation/convergence?
- d) Would the introduction of new literature on GFS need to replace the definition of GBE?

We provide below detailed comments on the questions raised:

a) Comparability

We believe that IPSASs are to be international in nature. It should therefore be able to provide clarity on every aspect it deals with and not leave any grey area to be determined by regulators in different jurisdictions. Where this is done, it may be difficult to achieve one of the qualitative characteristics of financial statements (comparability).

b) Convergence and international harmonisation

For instance, in jurisdiction (A), a regulator may come up with criteria to determine which entities fall outside a GGS. Those criteria may not be the same as those that may be applicable for jurisdiction (B). Hence, comparing financial information prepared in accordance with IPSAS from those two jurisdictions may be like comparing apples to oranges.

The above example will defeat efforts aimed at achieving convergence and international harmonisation. Should option 1 be supported, we may in the not distant future be dealing with the need to harmonise and converge, which is difficult to achieve.

c) Capacity of regulators

In some jurisdictions (Sub-Saharan Africa), the regulator, usually, the Institute of Chartered Accountants in that country is not yet codified in Law as the regulator. Hence, in terms of mandate to determine which entities apply IPSAS or IFRS, they may not have the mandate. There is therefore the need for clear guidance within the IPSAS standard for a preparer of financial statements to be able to make the judgement call rather than depend on the judgement of the regulator who may not have all the legal backing to play that role.

Additionally, most regulatory entities in Sub-Saharan Africa are in the process of recruiting qualified personnel to assist them to discharge their regulatory role. In some areas, there are capacity gaps that would not allow for discretion and judgement in terms of the correct financial reporting framework to be used by public sector entities

d) Reduction in unnecessary differences between IPSAS and GFS

GFS reporting guidelines are related to the presentation of statistics about the GGS. We believe that IPSAS 22 can be amended to accommodate the write-up on GFS. Hence, instead of taking out the criteria for determining GBE, we can review IPSAS 22 to address any gaps within the existing standard (IPSAS 22) and GFS guidelines.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b? - **We are in support of option 2(b).**

Reasons for supporting option 2(b)

Per the description in the consultation paper, options 2(a) and (b) are not mutually exclusive. They are intended to clarify the existing definition of GBE and also to narrow it. The primary aim of entities using IPSAS is not to make profit. Companies that are in business to recover cost are also not profit oriented. Therefore such companies should be excluded from GBEs by narrowing the definition of GBEs to exclude cost recovery entities. The current definition of GBEs in 3.4 states that GBEs should have all the characteristics of a GBE before it can qualify as a GBE. Based on the jurisdiction of an entity, it may not have all the characteristics stated, yet it is a profit-oriented entity.

Under the revised definition, entities may qualify as GBEs even if it cannot contract in its own name (6.19&6.20). Narrowing the definition to exclude cost recovery entities, would mean that all entities under GBEs would not be reliant on government funding to remain a going concern. It also further changes the words "at a profit" to "with a profit-oriented objective" (6.23b) to acknowledge the fact that profit-oriented entities can also make losses in its business operations. We believe option 2(b) has the following advantages:

a) Benchmark for deciding whether an entity applies IPSAS or IFRS

The terminology GBE has been consistently used in IPSAS and has become the benchmark in making the decisions whether or not an entity within the Public Sector is required to apply IPSAS. For instance, where a Public Sector entity decides to opt for IPSAS as a financial reporting framework, it needs to go through the criteria for GBE. It is when an entity passes/ fails the GBE test that it can fully tilt towards IFRS or IPSAS.

Where this criterion is taken off and option 1 is taken, more power will be given to regulators. This will leave room for individual regulators in different jurisdictions to have their own criteria for determining entities that qualify to use IPSAS.

b) Limited definition of GBE to focus on profit oriented entities

The preface to IFRS indicates that they are designed to apply to general purpose financial statements and other financial reporting of profit oriented entities.

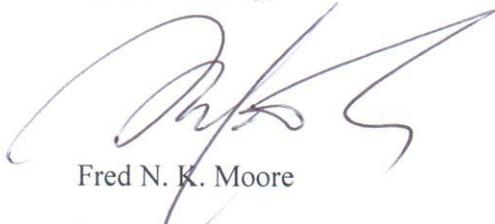
With the limited definition of a GBE focussing on profit oriented entities, once the preparer of financial statements establishes the objective of a reporting entity, the first test of determining the appropriate applicable financial reporting framework is checked. Then, the other narrow criteria for the GBE are applied to confirm the applicable standard.

We believe this should be a simple process for every qualified accountant to be able to make a consistent judgement call rather than leave a grey area for a regulator to determine.

Conclusion

We hope the IPSASB find this letter helpful in further developing the Applicability of IPSASs to GBEs and Other Public Sector Entities. We are committed to helping the Board in whatever way we can to build upon the results of this Consultation Paper. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours sincerely,



Fred N. K. Moore

For [Institute of Chartered Accountants, Ghana]



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working world

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INVESTOR IN PEOPLE

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19 Dec 2014

Dear Ms. Fox

Consultation paper: the Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities

Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above consultation. We support and agree with the Board's preliminary view of approach 1a - not defining GBEs, but relying on the current and developing IPSASB literature, including the Conceptual Framework, to provide high-level characteristics of public sector entities.

We agree with the majority of the IPSASB members (as noted in paragraph 7.7 of the consultation paper) because we support a high level, principles-based approach that draws on the *Conceptual Framework*. In addition such an approach acknowledges the role of regulators and other relevant authorities (national and/or regional) in determining which entities should apply IPSASs.

Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marques Berger at (+49) 711 9881 15844 or via email at thomas.mueller-marques.berger@de.ey.com or Serene Seah-Tan at (+65) 6309 6040 or via email at serene.seah-tan@sg.ey.com.

Yours sincerely,

Ernst + Young Global Limited



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

E-mail: stepheniefox@ipsasb.org

23 December 2014

Dear Ms Fox,

Consultation on the Applicability of IPSASs to Government Business Enterprises and Other Public Entities

We are pleased to respond to the invitation from the International Public Sector Accounting Board (IPSASB) to comment on the Consultation on the Applicability of IPSASs to Government Business Enterprises and Other Public Entities (the Consultation Paper) 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 Consultation Paper. "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 Consultation Paper on the Applicability of IPSASs to Government Business Enterprises and Other Public Entities (GBEs) is important as it addresses the specific characteristics of entities that should prepare the financial statements in accordance with IPSAS.

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



We agree that Option (1a) proposed by the IPSASB, which describes the characteristics of public sector entities for which IPSASs are intended, without giving a definition of GBEs, is the best approach. We do however raise some recommendations in order to enhance consistency in application of the principles described under Option (1a).

If you would like to discuss any of these points in more detail, please contact Jan Sturesson ((+46) 10 212 99 39), Jean-Louis Rouvet ((+33) 1 56 57 85 78), Patrice Schumesch ((+32) 2 710 40 28), or Tony de Bell ((+44) 20 7213 5336).

Yours sincerely,

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

PricewaterhouseCoopers

Background and IPSASB preliminary view

The IPSASB has considered two main approaches to its policy on public sector entities for which it is developing accounting standards and on GBEs:

1. Describing the characteristics of public sector entities for which IPSASs are intended. Under this approach, GBEs would not be defined. There are two options within this approach:

- (1a) Using IPSASB's current and developing terminology; or
- (1b) Using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance;

or

2. Modifying the current definition of a GBE in IPSAS 1, in order to resolve problems in its application. This could be done in two ways:

- (2a) Clarifying the current definition of a GBE; and/or
- (2b) Narrowing the existing definition of a GBE.

The IPSASB has expressed a unanimous preliminary view (PV) that Approach (1) is the best way forward. A majority of IPSASB members expressed a PV on support for Option (1a).

1. Do you agree with the IPSASB's preliminary view? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

We agree with the overall discussion set out in the Consultation Paper.

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, however, that regulators and other relevant authorities should - in making their determination - follow a unique framework which clarifies the scope of IPSAS. We therefore consider that the high-level description of organisations to which IPSASs are applicable would better fit this objective and therefore agree that Approach (1) is the best way forward. This option suggests describing the characteristics of public sector entities for which IPSASs are intended. Under this approach GBEs would not be defined.

Within Approach 1, we agree with the IPSASB's view and support Option (1a), which relies on the current and developing IPSASB literature, including the Conceptual Framework, to provide high-level characteristics of public sector entities.

We generally support aligning accounting standards with GFS where relevant and to the extent the overarching objective of developing high-quality accounting standards is still met. Notwithstanding this general support, in order to reduce unnecessary inconsistencies and avoid the burden of dual reporting by governments, we do not believe that importing GFS reporting guidelines and explanatory guidance in the IPSAS literature for this specific purpose is desirable.

We also 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) The general description of the characteristics of the organisations to which IPSASs should apply should be accompanied by illustrative examples, which would clarify those circumstances in which application of IPSASs would be appropriate along the spectrum discussed in paragraphs 2.1 and 2.2 of the Consultation Paper. 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. The discussion in paragraphs 2.1 and 2.2 is useful in that regard and a more elaborated discussion should form part of the final illustrative guidance.
- 2) Paragraph 6.8 of the Consultation Paper suggests a text describing the characteristics of the public sector entities following Option (1a) as proposed by the IPSASB. Paragraphs 6.9 to 6.11 provide additional guidance.

We draw your attention to the last part of the text included under paragraph 6.8 (b): "IPSASs are designed to apply to entities that... (b) ... do not have capital providers that are seeking a return on their investment or a return of the investment." Characteristic (b) indicates how activities are funded and addresses the objective of the resource providers. We agree that the primary objective of the entity should be to provide a public service (as described under paragraph 6.8 (a)), but there may be instances where resource providers

also give to the entity the secondary objective to make its best efforts to make some (minimal) profit, without putting into question the fact that any losses would continue to be compensated/funded by the resource providers. We therefore suggest that it be clarified that not seeking a return on investment is not contradictory to having an objective to make the best possible results, as any profit may be used by the entity to meet its service delivery objective. The key factor to consider is that capital providers do not seek a pay-out in the form of a dividend or in any other form on the capital they have provided.

This could in our view prevent incorrect determination of the IPSAS scope by excluding those entities which satisfy all the characteristics described in paragraph 6.8 but whose capital providers might also seek some (minimal) profit-making as a secondary objective for part of their activities.

- 3) In our comment letter to the questions raised in the IPSASB Exposure Draft 49 on Consolidated Financial Statements, we discussed the case of those entities that prepare their own financial statements using an accounting framework other than IPSAS (e.g. IFRS) and that are controlled by public sector entities preparing their financial statements under IPSAS (so called 'mixed groups').

As we noted earlier, the principle that requires entities to apply "uniform accounting policies for like transactions and events in similar circumstances" would require those entities to make adjustments for IPSAS consolidation purposes only in those circumstances where their characteristics or transactions are not dissimilar. Where they are dissimilar, a different treatment (e.g. following IFRS) could be applied in the entity financial statements that are included in IPSAS consolidated financial statements at a higher level.

Since the Consultation Paper is about the applicability of IPSASs to GBEs and other public sector entities, we believe a link should be made to the guidance that could eventually be included in the Consolidation standard on 'mixed groups'.

2. If you do not agree with the IPSASB's preliminary view, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

We refer to our comments to Question 1 of the Consultation Paper.

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Commentary individual

Rio de Janeiro / Brazil

Chair and Steering Committee

The Technical Director

International Public Sector Accounting Standards Board

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stepheniefox@ifac.org.

26 December, 2014

The Applicability of IPSASs™ to Government Business Enterprises and Other Public Sector Entities

I am Denise Juvenal this pleasure to have the opportunity to comment on this consultation about The Applicability of IPSASs™ to Government Business Enterprises and Other Public Sector Entities at International Public Sector Accounting Standards (IPSASs). This is my individual commentary for IFAC-IPSASb.

Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this CP. The CP highlights the preliminary view of the IPSASB and two specific matters for comment. These are provided below to facilitate your comments. Comments are most helpful if they indicate the specific paragraph or groups of paragraphs to which they relate, and contain a clear rationale, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

Preliminary View

The IPSASB has expressed a unanimous preliminary view (PV) that Approach 1 is the best way forward. A majority of IPSASB members expressed a PV on support for Option 1a. The IPSASB particularly values comments on the Specific Matters for Comment below.

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

Yes, I agree with the IPSASB's PV. I prefer Option 1a, so, I have uncertain if for public sector has exceptions in relation contracts of business for some activities. Although, the public sector can modify the formal type of the organizations or create news activities in its structure.

However, is unclear for me if in the practice these modifications can impact the laws and jurisdictions for this standard, as, for example the sectors or areas with energy, communications, banks and technology. I believe that some sector or areas have formal structure, because these aspects described are very important for development in the country. Although, I do not recognize what is the risk of application for this Exposure Draft, I do not knowledge for this.

For this, in the page 17 report in this draft that "A public corporation is an entity controlled by another public sector entity that is market producer, is entitled to own goods or assets in its own right, is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law, is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts and has a complete set of accounts, including a balance sheet of assets and liabilities."

I considering that the business for public sector involves public interest¹ and conflict interest² in relation the government with supplier and others areas of the public sector. I do not explain about literature or references described in this discussion, because I agree with Board's, so, I have doubt in relation which these modifications that the governments can impact in the implementation of the exposure draft whereas the complexity of the public sector.

¹ <http://www.ifac.org/news-events/2013-01/ipsasb-publishes-first-chapters-public-sector-conceptual-framework> and

² <http://www.ifac.org/news-events/2013-01/ipsasb-publishes-first-chapters-public-sector-conceptual-framework> and <http://www.ifac.org/news-events/2011-12/iesba-proposes-changes-code-ethics-professional-accountants-address-conflicts-in>, <http://www.ifac.org/about-ifac/organization-overview/our-business-model> and <http://www.ifac.org/publications-resources/definition-public-interest>

The public sector is the bigger organization that includes all activities that exist for operation products and services to attend for citizens, so I understand that for IFAC/IPSASB does not have problems with the application of this standard needs to observe if has exceptions and I am considering the responsibility, high quality, accountability, form, evidence and transparency of the public sector and governments in relation the activities in practice around the world. I suggest for the Board's, if agrees, that consults the Key International Regulators.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

None.

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

Yours,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

5521993493961



The Malaysian Institute of Certified Public Accountants

(Institut Akauntan Awam Bertauliah Malaysia) (3246-U)

December 30, 2014

International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York
NY 10017 USA

Via online submission and email
(stepheniefox@ipsasb.org)

Attn: Ms Stephenie Fox

Dear Ms Stephenie

COMMENTS ON IPSASB CONSULTATION PAPER THE APPLICABILITY OF IPSASs TO GOVERNMENT BUSINESS ENTERPRISES AND OTHER PUBLIC SECTOR ENTITIES

We refer to the IPSASB Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, issued by the International Public Sector Accounting Standards Board ("IPSASB") of the International Federation of Accountants ("IFAC").

In this regard, we are pleased to attach the Institute's comments as set out in **Appendix I** for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Foo Yoke Pin', with a long horizontal stroke extending to the right.

FOO YOKE PIN (Mr)
Executive Director

THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)

International Public Sector Accounting Standards Board

Consultation Paper

***The Applicability of IPSASs to Government Business Enterprises and
Other Public Sector Entities***

Questionnaire

The IPSASB welcomes comments on all of the matters discussed in this Consultation Paper ("CP"). The CP highlights the preliminary view of the IPSASB and two specific matters for comment. These are provided below to facilitate your comments. Comments are most helpful if they indicate the specific paragraph or groups of paragraph to which they relate, and contain a clear rationale, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

The IPSASB has expressed a unanimous preliminary view (PV) that Approach 1 is the best way forward. A majority of IPSASB members expressed a PV on support for Option 1a.

The IPSASB particularly values comments on the Matters below.

Specific Matter for Comment 1 (pgs 15 – 17)

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

MICPA's Comments:

MICPA agrees with the IPSASB's Preliminary View and prefers Option 1a.

Option 1a is a principles-based approach and leaves regulators and other relevant authorities to decide on borderline cases. However, MICPA is of the view that the degree of flexibility should not lead to inconsistent decision on what accounting standards should be applied for all borderline cases. Changes should only be allowed based on strong valid grounds.

In this regard, there should also be transitional provisions to cater for such changes.

Specific Matter for Comment 2 (pgs 17 - 19)

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

MICPA's Comment:

Not applicable since MICPA agrees with the IPSASB's Preliminary View.

The Applicability of IPSASs to Government Business Enterprises
and Other Public Sector Entities

response to consultation paper

30 December 2014

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 141230 SC0215

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
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Submitted electronically

December 2014

Dear Stephenie Fox

The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

CIPFA is pleased to present its comments on this Consultation Paper, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

In successive responses, CIPFA has strongly supported IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs.

In line with the above, in recent years CIPFA has also supported the development of a public sector Conceptual Framework, to provide a rigorous underpinning for the development of future IPSASs, and to inform stakeholder understanding and interpretation of the existing body of standards. Against this background CIPFA was very pleased when IPSASB announced in October that it had completed and published the Framework.

The topic of *applicability* of the framework itself is, appropriately, addressed in the framework document. Paragraph 1.8 of Chapter 1 states that:

The Conceptual Framework applies to financial reporting by public sector entities that apply IPSASs. Therefore, it applies to GPFRs of national, state/provincial and local governments. It also applies to a wide range of other public sector entities including:

- *Government ministries, departments, programs, boards, commissions, agencies;*
- *Public sector social security funds, trusts, and statutory authorities; and*
- *International governmental organizations.*

This drafting seems fairly natural. The framework applies to reporting by entities which are using IPSASs, and some examples of the types of entities which might apply IPSASs are provided. The framework does not specify whether particular entities should or should not apply IPSAS – this is not something on which IPSAS has any regulatory or other power to enforce. Thus the framework gives an indication of the types of entity for which it is designed and might reasonably be hoped to provide a good basis for financial reporting.

In contrast, the Preface to the Handbook of extant IPSASs contains more specific material on the applicability of IPSASs, suggesting that they should be not be applied to Government Business Enterprises (GBEs), and that for these entities IFRS should be

applied. A definition of GBEs is provided in IPSAS 1, and the instruction on the inapplicability of IPSAS to GBEs and the applicability of IFRS is repeated in the introductory material to each of the individual IPSASs.

Providing very specific guidance on applicability may have seemed very natural from the perspective of IPSASB's previous formulation as the IFAC Public Sector Committee, which was starting with a clean sheet. However, on reflection we concur with IPSASB in thinking that this is not the most helpful approach, given that IPSASB has no power to specify or regulate the standards frameworks applied by public sector entities of whatever type. The variety of interpretations which can be placed on Government Business Enterprise further reinforces our view that this is not the most helpful approach.

We are therefore more inclined to support a framing in which IPSASB explains the target for its standard setting activity, and leaves detailed questions of which standards to adopt for different entity types to the relevant decision making authorities.

Specific Matters for Comment 1

In line with our comments above, CIPFA strongly supports the view of the IPSASB that Approach 1 is the best way forward.

CIPFA also agrees with the view of the majority of IPSASB members in support of Option 1a. While we can see some advantages in using the terminology of Government Finance Statistics, on balance we consider that it would be more helpful for the generality of IPSAS pronouncements to be framed using a single consistent and coherent terminology.

However, we recognise that many governments have examined the structure of their national entities using the GFS taxonomy and others may do so in future. In this context it might be helpful to have bridging guidance which can help governments consider how to use the results of GFS analysis to come to a view on the applicability of IPSAS to categories of entities in their jurisdiction.

Specific Matters for Comment 2

Given that CIPFA agrees with the Board in respect of SMC1, we have no comments to make on SMC2.

Additional comment on the implications of 'IFRS converged IPSAS'

We would note that the IPSASB standard setting process is not designed to directly converge with IFRS, but instead to minimise inessential differences and to rigorously and transparently justify any divergence deemed necessary, having regard to differences in the public sector financial reporting context which may include differences in economic substance, operating model, regulatory and budgetary frameworks, and differing stakeholder needs.

Having said this, the effect of the convergence review is that, in general, financial reporting for profit-oriented activities is relatively similar, whether reported using IPSAS or IFRS. Similarly, for public sector entities that are primarily engaged in profit-oriented activities, the overall financial reporting should be quite similar whether it is developed using IPSAS or IFRS. In our view this is a good thing and may be particularly beneficial in jurisdictions where IPSAS are used in the public sector and IFRS or similar standards are used for other financial reporting. It means that the treatment of transactions and balances with similar economic substance should be similar regardless of sector. It would also mean that, where there is uncertainty over classification, there is less likelihood that the difference between applying IFRS or IPSAS will be a cause for concern or a motivation for favouring a particular classification.

I hope this is a helpful contribution to the Board's planning process. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org, t: +44(0)20 7543 5794).

Yours sincerely

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Our Ref: PSC/C&S/CP03/2014

Tuesday, 30 December 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: Consultation Paper (CP) - The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the *Consultation Paper (CP) - the Applicability of IPSASsTM to Government Business Enterprises and Other Public Sector Entities*, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

We commend the IPSASB for the proposed analysis and for the description of the two approaches discussed in the Consultation Paper. We believe that characterising public sector entities with a view to identify those entities that should apply IPSASs is a more positive way forward than defining GBEs in order to state that they are entities that should not apply IPSASs. We therefore support approach 1 as it paves the way to what is to us a fundamental approach in public sector accounting standard-setting: that of identifying those specificities of the public sector that may entail departures from the IFRSs. Specifically, we observe that option 1a Using IPSASB's current and developing terminology is the approach that reflects best current practice as it leaves room for regulators and relevant authorities to decide on border line cases.

We have included our responses to each of the Specific Matters for Comment 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 sincerely,



Nixon Oindi

For Professional Standards Committee

Appendix – ICPAK’s Submission on the Consultation Paper (CP) - The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

Specific Matters for Comment 1

Do you agree with the IPSASB’s PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

As summed up under paragraph 7.7 of the Consultation Paper; we are in agreement with the preliminary view of the Board that Approach 1 is most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. It is a high level, principles-based approach that draws on *the Conceptual Framework*. It is also consistent with IFRSs as issued by the IASB since option 1 would be better articulated with the *Preface to IFRSs* where the focus is on **profit-oriented entities** that are described rather than defined. In this case, the focus is on “**...delivery of services to the public...**”

Option 1 (a) is more attractive than 1 (b) as it acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs. In addition, we believe that the scope of public sector accounting standard-setting should mirror that of the general government sector in GFS, we would be concerned in choosing option 1b that accounting standards would introduce terms that specifically serve the purpose of statistical reporting rather than that of financial reporting. Unless those terms are to be further used to depict operations that fall under the scope of other accounting standards, we would be reluctant to introduce them in a description of characteristics of entities that may apply IPSASs. In our opinion, introducing those terms does not help classifying entities as public sector, in light of the fact that regulators and relevant authorities may decide for a different classification. We opine that option 1a in that it would remain principles-based and thus converge with GFS. We however recommend that some of these terminologies may be included under basis for conclusion or implementation guidance in IPSAS 22 *Disclosure of Financial information about the General Government Sector* or even as Recommended Practice Guidelines (RPGs) if the aim is to narrow the gap between GFS and IPSAS.

We note with concern that the consultation paper fails to address what will become of the current definition of GBEs in IPSAS 1 *Presentation of Financial Statements*. We wonder whether that definition will be merely removed and replaced with the proposed characteristics should option 1 be retained. We believe that previous attempt at defining GBEs is and remains a useful guidance, though not self-sufficient, we would be grateful if the IPSASB provide clarification as to what is intended to become of that definition. We urge the Board to maintain a reference to that definition in the Basis for Conclusions.

*Appendix – ICPAK’s Submission on the Consultation Paper (CP) - The Applicability of IPSASs to
Government Business Enterprises and Other Public Sector Entities*

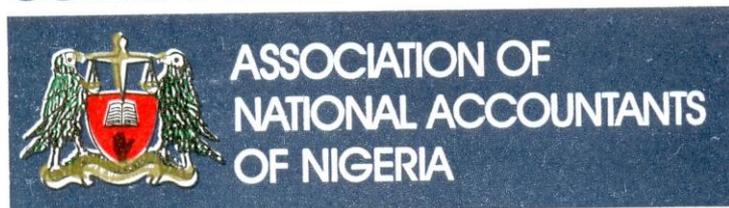
Specific Matters for Comment 2

If you do not agree with the IPSASB’s PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

We are in agreement with option 1.

However we believe that some of the terminologies as explained above e.g. the definition of GBEs might be considered for inclusion in the basis for conclusion.

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December 31, 2014.

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International Federal of Accountants,
277 Wellington Street West, 6th Floor,
Toronto, Ontario M5V 3H2,
CANADA.

Dear Ms Fox,

The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.

Association of National Accountant of Nigeria (ANAN) is very pleased to comment on the above-mentioned Exposure Draft on IPSAS 7 and 8.

Association of National Accountant of Nigeria (ANAN) is a statutorily recognised professional accountancy body in Nigeria. The body is charged among others, with the duty of advancing the science of accountancy.

The Association was formed on 1st January, 1979 and operate under the ANAN Act 76 Cap A26 of 1993 LFN 2004, working in the public interest. The Association regulates its practicing and non-practicing members, and is overseen by the Financial Reporting Council of Nigeria.

ANAN members are more than 21,000, they are either FCNA OR CNA and are found in business, practice, academic and public sector in all the States of Nigeria and Overseas. The members provide professional services to various users of their services.

ANAN is a member of the International Federation of Accountants (IFAC), the Association of Accountancy Bodies in West Africa (ABWA), the International Association for Accounting Education & Research (IAAER), and the Pan African Federation of Accountants (PAFA).

ANAN Responses to the Questions in the Consultation Paper

Specific Matters for Comment 1

1. Do you agree with the IPSASB's PV? If so, do you prefer option 1a or option 1b? Please give the reasons for your view.

- ❖ We do not agree entirely with the IPSASB's PV that approach 1 is most appropriate simply because it focuses on the characteristics of entities for which IPSASs are intended. Although this approach is in tandem with IASB's approach to developing IFRSs, it should not be considered as the most appropriate for IPSASB's development of IPSASs. This is because, there are so many complexities that surround Public Sector Entities which are absent in Private Sector Entities. Hence the need to vary the approach.
- ❖ Although we agree with the position of majority of the IPSASB members that option 1a is a high level and principles based approach that acknowledges the role of regulators and other relevant authorities in determining the entities that should apply IPSASs, we however believe that options 2(a) and (b) are also principles based. Additional clarifications of, or restrictions to standards that promote comparability of financial reports do not and cannot in themselves, make an approach non-principles-based or rules-based.
- ❖ Consistent with our responses in the preceding paragraphs, we have no preference for either option 1a or option 1b.
- ❖ Although option 1a will not define GBEs, it will describe the characteristics of public entities, for which the IPSASB is developing IPSASs, leaving regulators and other relevant authorities with decision on borderline cases. This approach may amount to solving the existing complex issues superficially and may likely give rise to divergent practices within and across jurisdictions thus adversely affecting the qualitative characteristic of comparability.
- ❖ Option 1b on the other hand will import a number of terms and explanatory guidance into IPSASB literature from GFS reporting guidelines. This approach tends to tilt towards rules-based approach as a threshold may be required to be used in defining the phrase "economically significant prices" (which is the 50% sales to production costs ratio) as is the clear case in GFS. This may

necessitate relying heavily on GFS reporting guidelines in this matter despite their focus on economic rather than financial analysis.

Specific Matters for Comment 2

1. *If you do not agree with the IPSASB's PV, Please indicate whether you support Option 2a or Option 2b in approach 2 or identify an alternative approach*

❖ We support a combination of Option 2a and Option 2b.

Under Option 2a, we support three aspects of the clarification to the definition of GBEs as provided in parag. 6.19 (p.18). The three aspects we support are (a), (b), and (d). Under Option 2b, we support only one aspect of the definition as provided in parag. 6.23 (p.19), that is (c). We observed that (a) and (d) in the two definitions (i. e. 2a and 2b) are the same.

- i. It is our belief that GBEs are established by law with clearly spelt out objectives, functions and powers.
- ii. The clarification of the definition of GBEs will be a step in the right direction as it will reduce the serious concerns that have been raised about the matter. It will also reduce divergent practices that will likely arise within and across jurisdictions thus promoting the qualitative characteristic of comparability.
- iii. The fact that the GBEs are established by laws with clearly spelt out objectives makes them more accountable.
- iv. We support a combination of Options 2a and 2b because they provided clear definitions of GBEs and also clarified the concept of full recovery cost.
- v. We support aspect (b) in Option 2a (6.19) because it recognizes both entities that can achieve recovery of full cost and those established with the objective of making profit.
- vi. We do not support aspect (b) in Option 2b (6.23) as a result of its restriction to the definition of GBEs as entities with profit oriented objective only.
- vii. We do not support aspect (c) in Option 2a (6.19) because it is not very explicit on the meaning of "reliant on continued government funding". However, explicit clarification has been made in aspect (C) of Option 2b (6.23) which informed our selection. With this exposition, the GBEs in this category are

almost similar in nature with entities in the private sector for which IFRS are applied.

RECOMENDATIONS

- ❖ Under the revised definition of GBE in 6.19(a), the word “autonomy” may need to be added such that it reads as: “*Has been assigned the financial and operational authority and **autonomy** in legislation ...*” We believe that “authority” does not necessarily imply “autonomy” as it is possible for an entity to have authority without autonomy, since autonomy signifies “independence” while authority signifies “power”. It is possible for an entity to have powers that are subject to undue interference.
- ❖ Under 6.23(C), we recommend that two (2) phrases: “on a perpetual basis” and “unless such financial support are considered as addition to equity or debt” be added such that it reads: “*Can prepare its financial statements on a going concern basis without being reliant on any continuing government funding or other forms of direct or indirect financial support from government **on a perpetual basis** (other than purchases of output at arm’s length). Such funding or financial support includes concessionary loans, government guarantees and grants for meeting service obligations; **unless such financial support are considered as addition to equity or debt***”
- ❖ The import of the phrase “on a perpetual basis” is to recognize the fact that government could support a GBE for a period of years to enable it stabilize financially and operationally. Such financial assistance does not continue perpetually.
- ❖ The import of the second phrase “unless such financial support are considered as addition to equity or debt” is to recognize the fact that GBEs could also benefit from government intervention funds (as may be akin to bailout) where the need arises to save strategic GBEs from collapse. If such supports are treated as addition to equity or debt, then the funds are not “free funds”, and therefore should be accommodated in the definition of GBE.
- ❖ Finally, we believe that relevant regulatory bodies in various jurisdictions can facilitate the classification of Public Sector Entities and their GBEs by compiling detailed list of entities that qualify for the application of IPSAS or IFRS.

ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA



SUNDAY A. EKUNE, B.Sc. (Hons), M.Sc., MIOB, FCNA

Registrar/Chief Executive

Israel Government Accounting Standards Board

Comment to IPSASB's Consultation Paper on the Applicability of IPSASs to GBEs and Other Public Sector Entities

A. Preface

In August 2014, the International Public Sector Accounting Standards Board (IPSASB) released for comment a Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. The IPSASB has developed two approaches to communicate its view of the entities to which IPSASs apply. Under the first approach, the IPSASB would describe the characteristics of public sector entities for which IPSASs are intended and there would no longer be a definition of GBE in the IPSASB literature. Under the second approach, the definition of a GBE would retain, the IPSASB would clarify the GBE definition and would possibly narrow it to entities with a profit-seeking objective.

B. Our Comment on the Consultation Paper:

We agree with the IPSASB's Approach 1 and prefer option 1a, about IPSASB's policy on public sector entities for which it is developing accounting standard and on GBEs. According to opinion 1a the description of the characteristics of public sector entities which IPSASs are intended for, based on using IPSASB's current and developing terminology.

C. The basis for our comment and reasons for our view

First we describe the following 3 main principles that guided us examining the two approaches. Based on those principles we explain why in our view opinion 1a is the preferred approach.

1. The 3 main principles guiding:

- 1.1 It is the role of national regulators and other relevant authorities in each jurisdiction to determine which entities should be required to prepare general purpose financial statements (GPFSS) and the suite of accounting standards to be applied.

Israel Government Accounting Standards Board

Hence, we think the accounting standards should include a precise and explicit definition of the particular type of entity within the scope of the standards.

Israeli Government Accounting Standards that are based on IPSAS's, are designed specifically for national government sector. Other entities, although not business or profit oriented, and although some are controlled by the government, are not subject to these Standards. The decision of the kind of accounting standards to apply in different sectors depends on various economical, political and practical national factors of each country.

1.2 Inappropriate classification of a public sector entity may have unfortunate reporting consequences of not providing the users of the financial statements with relevant information. The objectives of financial reporting and the primary users of financial reports differ for entities that have primarily a service delivery objective and for those that are primarily profit-oriented. The objectives of public sector entities are reflected at the concepts in the IPSASB Conceptual Framework.

On our opinion, it is important to focus on and clarify the definition of the term that describes the characteristics of public sector entities for which current and developing standards (IPSAS's) are to be applied.

In making the decision whether to adopt IPSAS's for governments and entities that are in the process of considering what accounting standards to adopt and for what entities to apply them, it would be more appropriate and useful, if a straightforward scoping definition was included, describing the kinds of entities these Standards were developed for, instead of the kinds of entities that are excluded from the scope of these Standards.

1.3 As the definition of a GBE can be interpreted differently, there may be a wide range of entities being described as GBEs, while possibly not being the entities the IPSASB had in mind while preparing the GBE definition.

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We are of the opinion that a definition of an entity which is within or outside the scope of a standard, should be made using descriptions that are easy to understand and can be checked. The definition should also delimit the essential details relating to the essence of the term defined. Also, we think it is very important that a definition should not be one that would constitute a source of controversy about its meaning, and should not be subject to different interpretations.

However, it should be said, that a definition should not be excluded, solely because it is subject to professional judgment and interpretations, as many of accounting definitions are.

2. Examining approaches based on the main principles mentioned above

2.1. In its role as the international standard setter for the public sector, the IPSASB considers that it has a responsibility to be transparent about the types of public sector entities that it considers when developing IPSASs.

In our opinion, in order for IPSASB to fulfill its responsibility, Approach 1 is the most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended for. Describing the entities for which IPSASs are developed for, rather than defining GBEs that are out of scope, would better inform users and regulators as to IPSASB's views regarding the entities for which it is developing IPSASs. It would acknowledge that regulators have the power to determine which entities should apply particular standards in their jurisdictions.

However, keeping some form of general guidelines as to the characteristics of GBEs would also be useful for the local regulators in deciding what entities are of a more business nature, and therefore it wouldn't be appropriate for them to use these standards.

2.2. Both options in Approach 1 are intended to give a clear indication of the types of entities that the IPSASB considers when developing IPSASs. However we agree that Option 1a gives a high level description of public

Israel Government Accounting Standards Board

sector entities which the IPSASB considers while developing IPSASs, using terminology drawn from IPSASB's current and developing literature, in particular the Conceptual Framework.

We believe that Option 1a describes in a more appropriate way the definition and clarify the characteristics of a public sector entity. Moreover the use of IPSAS developing terminology enables to reflect in the definition the primary objective of public sector entity to deliver services, explain the economic substance of its activities and would meet the qualitative characteristics of relevance and faithful representation.

In our view Option 1a is preferable on Opinion 1b.

Using terminology from a different methodology set, however converged it may be, may cause questions and problems in applying IPSASs for countries and entities that are not familiar with GFS. Furthermore, Opinion 1b reliance on concepts used in statistical guidelines may potentially mean that a number of terms and explanations would need to be introduced into the IPSASB's literature. We are of the opinion that examination of the characteristics of public sector entities using GFS reporting guidelines and explanatory guidance requires considerable judgment and thus may lead to diversity in the application.

2.3. The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of general purpose financial reporting (GPFs) for accountability purposes and for decision-making purposes. An inadequate classification of a public sector entity can undermine these financial reporting objectives. In addition, inconsistent application of the GBE definition may significantly undermine comparisons between entities.

Approach 2 intended to overcome the above implementation difficulties and problems in the definition of a GBE in IPSAS 1 and the diversity in the application of the GBEs definition in some jurisdictions. Approach 2 would seek to clarify and narrow the current definition of GBEs, so that it is applied

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more consistently and would clarify some issues with the current definition of a GBE.

However, in light of the complexity of the issues, we agree that this approach would not eliminate possible inconsistencies in applying the definition, and therefore its impact might be limited and would only partially resolve problems and ambiguities in the definition of a GBE.

D. In conclusion

After reviewing the two approaches, our opinion is that from the proposed approaches, 1a is the preferred one, consistent with two main aspects, as follows: (a) the role of the of regulators and other relevant authorities in each jurisdiction to determine which entities should be required to prepare general purpose financial statements and the suite of accounting standards to be applied; and (b) achieving the objectives of financial reporting by public sector entities, and being of high quality and reliable financial reporting.

We also considered that such opinion will reflect the concepts and descriptions in the IPSASB Conceptual Framework.

When examining the second approach, we reached the conclusion that despite the intentions to overcome the implementation difficulties and problems in the definition of a GBE, it is impossible to eliminate all the potential problems and ambiguities in the definition of a GBE. This can impair the quality of the financial information for users and, therefore, undermine the ability of the information to meet the objectives of financial reporting.

However, GBEs may play a significant role for many governments that choose to manage some of their activities and achieve some of their service providing goals and objectives through the channels of special business oriented entities.

Therefore, in our opinion, a third option may be introduced. An option that would include both – description of public sector entities as described in option 1a and having some kind of definition for GBEs. That definition can be revised and used in cases where a specific GBE reference is needed. In order

Israel Government Accounting Standards Board

to avoid possible issues with interpretations of the GBE definition, it is possible to include a description of a GBE that includes main characteristics, but that leaves room for professional judgment and local reporting requirements and regulations.

These comments were prepared by The Israel Government Accounting Standards Board

Members:

Michael Arad (Chairman)

Yehuda Algarisi

Joseph Izkovich

Yali Rotenberg

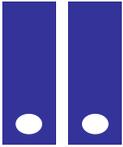
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**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, December 31st, 2014

Members of the Group

THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

REF: Public Consultation: The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.

Dear Members of the Group,

The Inter-American Accounting Association (AIC – in Spanish), welcomes the opportunity to comment on the **Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.”**

This reply summarizes the views of different member countries of the IAA, according to the following due process:

Due process:

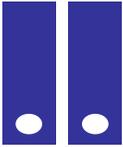
The Draft was submitted to the different AIC member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Gustavo Gil Gil
PRESIDENT



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities”

We have answered the two questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

Question 1.- Describing the characteristic of public sector entities for which IPSASs are intended. Under this approach GBEs would not be defined. There are two options within this approach:

- 1a) Using IPSASB’s current and developing terminology; or
- 2b) Using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance;

Answer:

We agree with 1a) this option since the IPSASB's in essence maintain the accounting treatment and the original text of the NICs, international standard adopted by 130 jurisdictions approximately, therefore the IPSASB's increase both the quality and comparability of financial information submitted by public sector entities in several countries around the world. Furthermore, due to the use of IPSASB's is more flexible than the NICs since his adoption is not impose; in case of the existence of national governing accounting regulations practices and the presentation of the financial statements, IPSASB's not overlap with these criteria, but promotes harmony between these and the internal regulations of each country to contribute to greater comparability.

Question 2.- Modifying the current definition of a GBE in IPSAS 1, in order to resolve problems in its application. This could be done in two ways:

- 2a) Clarifying the current definition of a GBE; and/or
- 2b) Narrowing the existing definition of a GBE

Answer:

Currently We understand that "Public Sector" concerns central or federal governments, regional governments (eg state or departments, provinces, districts), local governments (eg municipalities, governors and councils) and public entities (eg public bodies boards, commissions and public companies), therefore we agree with 2a) this option since we believe a clear concept of “public sector” is needed, so that this definition covers the reality of all countries that adopted or are in process of adoption of these international standards.



Paris, le 23 DEC. 2014

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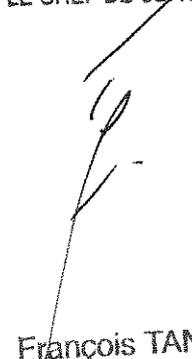
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Subject : The applicability of IPSASs™ to Government Business Enterprises and other public sector entities.

I am writing on behalf of the French Directorate of Public Finances (hereinafter mentioned as DGFIP) to express our views on the mentioned above Consultation.

LE CHEF DE SERVICE



François TANGUY

This consultation paper (hereinafter mentioned as CP) deals with the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities. Currently, IPSAS 1¹ defines the term GBE but each IPSAS specifically excludes GBEs of its scope. Indeed, GBEs must apply International Financial Reporting Standards (IFRSs).

As this definition does not enable to address all types of public entities commonly named GBEs across national jurisdictions, DGFIP acknowledges the need for an in-depth consideration and therefore welcomes the global analysis emerging from the CP.

Describe the characteristics of public sector entities for which IPSASs are intended (Option 1) or define the GBEs, while at the same time, each IPSAS specifically excludes them (Option 2) are the two opposite approaches considered by the CP.

Describing the characteristics of the public sector entities seems to us a pragmatic and functional approach. Using the Conceptual Framework in the preliminary view highlights its meaning (option 1a).

Furthermore, the notion of "public entity" is not uniform and covers different structures which can vary across national jurisdictions. For borderline cases, namely for cases submitted for interpretation, more flexibility is needed. Therefore national regulators should have discretionary powers in order to determine the appropriate accounting standard.

Moreover, as pointed out in our previous comments, an alignment between IPSASs and government financial statistics (GFS) does not appear relevant. Thus, in an accounting standard, the description of public sector entities must be based on general accounting concepts rather than GFSs concepts.

Consequently, this leads us to support Option 1a.

However, in our opinion the current definition of GBEs could provide clarification in some borderline cases, and therefore, should be maintained in the basis for conclusions of IPSAS 1.

Lastly, it would be useful if the analysis and iterative discussions of the IPSASB on this topic would take into account the consolidation issues. For us, the matter of consolidated accounts for public sector entities raises the critical issue of the scope definition. As regards the definition of the scope for consolidation, GBEs is a key issue.

Therefore, DGFIP regrets that neither in the IPSASB consultation issued in October, 2013 on consolidated accounts², nor in this CP, these critical issues aren't addressed.

1 IPSAS 1, « *Presentation of Financial Statements* ».

2 ED 48, "*Separate Financial Statements*", ED 49, "*Consolidated Financial Statements*", ED 50, "*Investments in Associates and Joint Venture*", ED 51, "*Joint Arrangements*", ED 52, "*Disclosure of Interests in Other Entities*".

Specific matters for comments 1

Do you agree with the IPSASB's preliminary view ? If so, do you prefer Option 1a or Option 1b ? Please give the reasons for your view.

DGFIP shares the IPSASB's preliminary view and considers that describing the public sector entities for which IPSASs are intended, based on their characteristics and specificities of public action, is more relevant compared to defining strictly the GBEs. Indeed, this description seems to us a pragmatic and functional approach, strongly linked with the primary function of public entities as stated in the conceptual framework³.

This approach allows to define a scope based on specificities of public entities regardless their legal status (central government, local authorities, agencies or other entities). Moreover, this preliminary view enables regulators and relevant authorities to decide on borderline cases, so as to offer the flexibility required by the heterogeneity of situations all around the world.

Furthermore, an approach based on accounting principles, using general accounting terminology, seems more appropriate than using government financial statistics concepts and definitions (GFS). As stated in our previous response⁴, an alignment with GFS does not seem relevant because of their divergent objectives and scopes.

The GFS is a statistical approach flow-based. The submitted comments in this CP demonstrates that systematical alignment between IPSASs (based only on the control criterion) and GFS does not make sense⁵. Indeed, in option 1b, the scope of public-sector accounting standards cannot be strictly similar to general government sector (GGS) as defined in GFS (for which two criteria are taken into account: the non profit nature of the unit activity and the control).

Consequently, option 1a seems, for DGFIP, more relevant than option 1b.

3 Please, refer to the CP § 6,6 and § 6,7 p 15.

- *The Conceptual Framework states that « the primary function of governments and other public sector entities is to provide services that enhance or maintain the well-being of citizens and other eligible residents. Those services include, for example, welfare programs and policing, public education, national security and defense services. In most cases, these services are provided in non-exchange transactions and in a non-competitive environment ».*
- *To fund these services, « Governments and other public sector entities raise resources from taxpayers, donors, lenders, and other providers » and they « are accountable for their management and use of resources to those that provide them with resources, and to those that depend on them to use those resources to deliver necessary services ».*
- *The draft Preface to Conceptual Framework complements the above statement by indicating that « the primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a rate of return to investors ».*

4 DGFIP's response of the IPSASB strategy consultation, July 18th, 2014.

5 Please, refer to the CP § 5,14 to § 5,17p 13.

Specific matters for comments 2

If you do not agree with IPSASB's preliminary view, please indicate whether you support Option 2a or Option 2b in approach 2 or identify an alternative approach. Please give the reasons for your view.

The current definition of GBEs does not succeed in solving all the existing issues. Indeed, there is still existing ambiguities. This may be the case for example for entities that do not meet all of the characteristics listed by IPSAS 1⁶. It could lead to divergent interpretations due to the diverse situations across national jurisdictions.

Establish a cumulative, comprehensive and relevant list, in order to define GBEs whatever their legal status, could not meet the wide variety of situations encountered.

Consequently, option 2 (2a or 2b) is not supported by DGFIP.

⁶ IPSAS 1.7 : « Government Business Enterprise means an entity that has all the following characteristics:

- (a) Is an entity with the power to contract in its own name;
- (b) Has been assigned the financial and operational authority to carry on a business;
- (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- (d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- (e) Is controlled by a public sector entity ».

Version Française

Cette consultation publique (ci-après dénommée CP) porte sur l'applicabilité des normes IPSAS aux entreprises publiques, ainsi qu'aux autres entités du secteur public (cf. « GBEs »). Actuellement, si les entreprises publiques sont définies dans la norme IPSAS 1⁷, chaque norme IPSAS les exclut spécifiquement de leur champ d'application. En effet, les entreprises publiques appliquent les normes IFRS.

Comme cette définition ne permet pas de traiter tous les types d'entités publiques pouvant être, selon les pays, dénommées « entreprises publiques », la DGFIP reconnaît la nécessité de mener une réflexion approfondie sur ce sujet, et de ce fait, accueille favorablement l'analyse globale émanant de cette consultation.

Décrire les caractéristiques des entités du secteur public appliquant les normes IPSAS (option 1) ou définir ce qu'est une entreprise publique (option 2), alors même que ce référentiel les exclut explicitement, constituent deux modes de raisonnement opposés.

Décrire les caractéristiques des entités du secteur public nous semble une approche pragmatique et fonctionnelle. La référence au cadre conceptuel de l'IPSASB renforce la pertinence de l'argumentaire présenté dans la vue préliminaire (option 1a).

Par ailleurs, la notion « d'entités publiques » n'est pas uniforme et recouvre des structures variables selon les juridictions nationales. Pour les entités situées en périphérie de cette définition, c'est à dire dans les cas soumis à interprétation, une plus grande souplesse est nécessaire. Par conséquent les régulateurs nationaux doivent pouvoir bénéficier d'une marge d'appréciation afin de déterminer le référentiel idoine.

En outre, conformément à nos commentaires précédents, un alignement systématique des normes IPSAS et du référentiel de statistiques de finances publiques (SFP⁸) ne nous paraît pas pertinent. Ainsi, la description d'une entité publique dans une norme comptable doit s'appuyer sur des concepts de comptabilité générale plutôt qu'à partir de concepts issus du référentiel SFP.

En conclusion, ces différents éléments nous conduisent à soutenir l'option 1a.

Pour autant, à notre avis, la définition actuelle des entreprises publiques pourrait apporter des éclaircissements dans certains cas, et donc, devrait être maintenue dans les « bases de conclusions » de la norme IPSAS1.

Enfin, les analyses et les discussions itératives de l'IPSASB sur ce sujet pourraient utilement prendre en compte les réflexions relatives à la consolidation. Pour nous, le sujet des comptes consolidés pour les entités du secteur public met en exergue la question essentielle de la définition de son périmètre. Concernant la définition du champ d'application de la consolidation, les GBEs constituent un élément clef.

Par conséquent, la DGFIP regrette que ces questions cruciales n'aient pas été abordées lors de la consultation publique relative aux comptes consolidés d'octobre 2013⁹, ou lors de la présente consultation.

7 IPSAS 1. « Présentation des états financiers ».

8 Correspondant au Government Financial Statistics (GFS).

9 ED 48, "Separate Financial Statements", ED 49, "Consolidated Financial Statements", ED 50, "Investments in Associates and Joint Venture", ED 51, "Joint Arrangements", ED 52, "Disclosure of Interests in Other Entities".

Question 1

La DGFIP partage la vue préliminaire de l'IPSASB et considère qu'une description des caractéristiques des entités du secteur public visées par les normes IPSAS est plus pertinente qu'une définition stricte des entreprises publiques. En effet, cette description nous semble une approche pragmatique et fonctionnelle fortement liée à la fonction première des entités publiques comme décrite dans le cadre conceptuel¹⁰.

Cette approche permet de définir un champ d'application basé sur les spécificités des entités publiques, quel que soit leur statut juridique (Etat, collectivité territoriales, établissements publics, entreprises publiques ou autres entités). En outre, cette vue préliminaire permet aux régulateurs et aux autorités compétentes de statuer pour les cas soumis à interprétation afin d'offrir la flexibilité requise par l'hétérogénéité des situations rencontrées dans le monde entier.

Par ailleurs, une approche fondée sur des principes comptables, utilisant la terminologie de comptabilité générale, semble plus appropriée qu'une approche fondée sur les concepts et les définitions du référentiel de statistiques de finances publiques (SFP ou comptabilité nationale). Comme indiqué dans notre précédente réponse¹¹, un alignement avec le référentiel SFP ne semble pas pertinent en raison de leurs objectifs et de leurs périmètres divergents.

Le référentiel SFP est basé sur une approche statistique. Les observations présentées dans ce CP démontre qu'un alignement systématique entre les normes IPSAS (basées uniquement sur le critère de contrôle) et le référentiel SFP ne fait pas sens¹². En effet, dans l'option 1b, le champ d'application des normes comptables du secteur public peut ne pas être strictement similaire à celui du secteur des administrations publiques tel que défini dans le référentiel SFP (lequel prend en compte deux critères : la nature non marchande de l'activité de l'unité et le critère de contrôle).

Par conséquent, l'option 1a semble, pour la DGFIP, plus pertinente que l'option 1b.

Question 2

La définition actuelle des entreprises publiques ne parvient pas à résoudre tous les problèmes existants. En effet, certaines ambiguïtés persistent, notamment dans le cas des entités qui ne respectent pas toutes les caractéristiques énumérées par la norme IPSAS 1. Elle pourrait conduire à des interprétations divergentes en raison de la diversité des situations entre les administrations nationales.

Établir une liste cumulative, complète et pertinente, afin de définir les GBEs, quel que soit leur statut juridique, ne permet pas de répondre à la grande variété des situations rencontrées.

En conséquence, l'option 2 (2a ou 2b) n'est pas soutenue par la DGFIP.

10 Cf § 6,6 et 6,7 p 15 du document de consultation.

11 Réponse de la DGFIP de juillet 2014 relative à la consultation publique de l'IPSASB sur la stratégie pour la période 2015-2019.

12 Cf § 5,14 à 5,17 du document de consultation.



**The Japanese Institute of
Certified Public Accountants**

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December 26, 2014

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

***Comments on Consultation Paper “The Applicability of IPSASs to
Government Business Enterprises and Other Public Sector Entities”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities” (“CP”) as follows.

I. Comments on specific matters

Specific Matters for Comment 1:

Do you agree with the IPSASB’s PV? If so, do you prefer Option 1a or Option 1b?
Please give the reasons for your view.

For the following reasons, we agree with the IPSASB’s PV.

- We assume that there are two approaches to determine accounting standards that are applicable to government business enterprises (GBEs) as follows. Since there are

various views on the operation and management of GBEs in each jurisdiction, we believe that an objective-oriented approach is appropriate.

➤ Definition approach

Definition approach organizes the characteristics of GBEs and develops the criteria for meeting the characteristics of GBEs and then automatically determines entities satisfying the criteria on the basis of the characteristics of GBEs. This approach is currently adopted in the International Public Sector Accounting Standards (IPSASs).

➤ Objective-oriented approach

Objective-oriented approach considers intention or policies of governments. If a government has objective to manage the profitability of GBEs, it will apply the International Financial Reporting Standards (IFRSs). On the other hand, if its objective is to deliver services to the public, it will apply the IPSASs. We think this approach can enhance option 1a in the CP.

- In order to definitely interpret the scope of GBEs outside the application of the IPSASs, the characteristics of public sector entities should be clearly explained and those which do not meet the characteristics will be defined as the one outside the application of the IPSASs. We believe that this would be consistent with the purpose of the IPSASs.
- Since it is unrealistic for the IPSASB to develop a single definition of GBEs applicable to every jurisdiction, we believe that Approach 1 is appropriate.

For the following reasons, we believe that Option 1a would be desirable.

- We believe it would be helpful for IPSASB to use the current and developing terminology to describe characteristics of public sector entities from the viewpoint of the consistency with other requirements.
- We are concerned that the explanation of characteristics of public sector entities for which IPSASs are intended would be integrated into other guidelines.
- We are also concerned that option 1b can cause some mismatches between the conceptual framework for accounting and the terms used in government financial statistics (GFS).

Specific Matters for Comment 2:

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

Since we believe that Option 1a would be desirable, we do not have any responses to this question.

II. Proposed descriptions of "Characteristics of Public Sector Entities" in paragraph 6.8

The proposed descriptions of "Characteristics of Public Sector Entities" in paragraph 6.8 may face the following challenges:

- In the context of the descriptions of the characteristics of public sector entities, we may have to note that there are some entities which do not have any responsibilities for delivering services 'directly' to the public in Japan. For example, an entity is responsible for financing the facilities operated by another entity, but does not have any responsibility for delivering services directly to the public. In this case, the entity does not strictly meet the characteristics described in paragraph 6.8, and therefore this may create the problem that the IPSASs would not apply to those entities.
- Paragraph 6.8 describes two requirements for meeting the characteristics. It is unclear whether IPSASs will apply to an entity when it meets both of the characteristics or either would be sufficient. If the first characteristic includes wide descriptions of the delivery of services to the public as the characteristics of entities, we should conclude that IPSASs would apply to entities that satisfy both of the characteristics and IFRSs would apply to any entity among them that have investors with a view to generating profit.
- We believe that the descriptions of differences between public sector and private sector entities should be further considered in order to clarify characteristics of public sector entities.

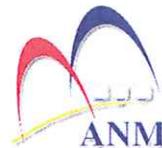
III. Other comments

Where a GBE that initially intends to apply IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) suffers a deterioration in its operations, in some cases it may arbitrarily choose to change its objective to that of delivering services to the public, and accordingly to apply IPSASs in order to avoid any impairment under the IFRSs. Such application of IPSASs will certainly be undesirable. We believe that the IPSASB should emphasize that the operational objectives assigned to GBEs should not be changed according to any changes in external environments without any justifying rationale.

Yours sincerely,

Naohide Endo
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Azuma Inoue
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA



12 January 2015

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

CONSULTATION PAPER: THE APPLICABILITY OF IPSASs TO GOVERNMENT BUSINESS ENTERPRISES AND OTHER PUBLIC SECTOR ENTITIES

The Accountant General Office of Malaysia ("AG Office") and the Malaysian Institute of Accountants ("MIA") are pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Consultation Paper ("CP") *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*.

In general, we agree with the IPSASB's preliminary view that Option 1 is most appropriate. Similar to majority of the IPSASB members, we also support Option 1a as it is high level and principle-based approach, as well as it acknowledges the role of regulators and other relevant authorities in determining which entities in their own jurisdictions should apply IPSASs.

However, we wish to highlight the following:

1. Mutually exclusive or combined characteristics

As proposed in the CP, Option 1a would describe the characteristics of the public sector entities in the following way:

IPSASs are designed to apply to entities that:

- a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;
- b) Finance their activities, directly and 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 the investment.

We wish to seek clarification whether the entities that should apply IPSASs should satisfy either one or both of the above characteristics. The entities that will be covered by Option 1a will be

either wider or lesser, depending on whether the characteristics are mutually exclusive or combined. We propose the words "and/or" to be added between characteristics (a) and (b).

2. Timing to establish intention of the capital provider that seek a return on their investment or a return of the investment

Characteristic (b) includes the phrase "do not have capital providers that are seeking a return on their investment or a return of the investment". In Malaysia, the capital providers of the entities that deliver services to the public usually do not seek a return on their investment or a return of the investment during the initial years of the entities' operation. This is normally due to those entities are start-up corporations and are unable to generate revenue during the initial years. However, capital providers' intention might change when an entity is able to operate independently and consistently make profits due to higher economies of scale and efficient processes. In such cases, we wish to seek clarification whether such entities should continue applying IPSASs.

We hope our comments would contribute to the IPSASB deliberation in finalising the CP. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2279 9277 or by email at rasmimi@mia.org.my.

Yours sincerely,



DATO' HAJI CHE PEE BIN SAMUDIN
Accountant General of Malaysia
ACCOUNTANT GENERAL'S DEPARTMENT
OF MALAYSIA



DATUK JOHAN IDRIS
President
MALYSIAN INSTITUTE OF ACCOUNTANTS

12 December 2014

Ms Stephenie Fox
Technical Director, International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO, ONTARIO
CANADA M5V 3H2

Email: stepheniefox@ifac.org

Dear Stephenie

Consultation Paper – The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

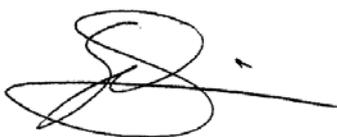
CPA Australia and Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) represent over 250,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia.

Thank you for the opportunity to comment on the *Consultation Paper – The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. We agree with the IPSASB that it would be beneficial to provide greater clarity on the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities.

We agree with the IPSASB's preliminary view that Approach 1 is most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended and that approach will be useful to the IPSASB when setting standards. This approach is also helpful for regulators and other relevant authorities in determining which entities should apply IPSASs, and of assistance to preparers. We support Option 1a as it uses principles based on IPSASB's current and developing terminology that focus on the characteristics of public sector entities and will determine when IPSASs should be applied.

The attachment to this letter (**Attachment A**) sets out our comments on the specific matters for comment. If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) mark.shying@cpaaustralia.com.au or Michael Fraser (Chartered Accountants ANZ) michael.fraser@charteredaccountantsanz.com.

Yours sincerely



Stuart Dinam
General Manager – External Positioning
CPA Australia Ltd



Robert Leathership
Head of Leadership and Advocacy
Chartered Accountants Australia and New Zealand

Representatives of the Australian Accounting Profession



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Attachment A

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

The Consultation Paper describes two approaches to provide greater clarity on the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities:

- Approach 1 that uses a principles basis to describe the characteristics of the public sector entities for which the IPSASB is developing IPSASs
- Approach 2 that would modify the current definition of a GBE and then use the modified definition to describe the characteristics of public sector entities for which IPSAS are *not* intended.

We agree with IPSASB that it would be beneficial to provide greater clarity and that the best way to achieve this clarification is Approach 1, which describes the characteristics of public sector entities for which IPSASs are intended. We believe that Approach 1 will assist the IPSASB in the development of standards, will help 'educate' regulators and other relevant authorities in determining which entities should apply IPSASs, and assist preparers.

We support Option 1a as it uses principles based on IPSASB's current and developing terminology that focus on the characteristics of public sector entities and will determine when IPSASs should be applied.

Option 1b proposes using the International Monetary Fund's Government Finance Statistics (GFS) reporting guidelines and explanatory guidance for determining which entities should apply IPSASs. We do not support this approach because the basis of the proposed criteria under Option 1b would be the current and developing GFS terminology that is developed specifically for statistical reporting and not for financial reporting purposes. We think it is important that the IPSASB retain its responsibility and control over the terminology used in its accounting standards.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

We agree with the IPSASB's PV for the reasons described in our response to Specific Matters for Comment 1.



Ottawa, Canada
K1A 0R5

Ms. Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, ONTARIO
M5V 3H2

Dear Ms. Fox:

**SUBJECT: The Applicability of IPSASs to Government Business
Enterprises and Other Public Sector Entities**

Thank you for the opportunity to comment on the Consultation Paper – *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* that was issued in August 2014.

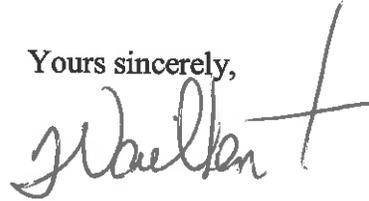
The Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our government is not required to follow the International Public Sector Accounting Standards (IPSAS), however, IPSAS are regarded as an important secondary source of GAAP.

We agree with Approach 1a provided in the Consultation Paper, describing the characteristics of public sector entities for which IPSASs are intended. This approach is principles-based, is supported by the conceptual framework, and avoids the difficulties associated with the definition of Government Business Enterprises which may be applied differently in the diverse jurisdictions that have adopted IPSAS. This approach places importance on positive identification of those entities for which IPSAS are intended. However, we believe that the characteristics in paragraph 6.8 may need some revision, as not all public sector entities provide services directly to the public as indicated in 6.8(a), e.g. they may provide services to other public sector entities.

- 2 -

We thank you again for providing the opportunity to comment on this Consultation Paper. If you have any further questions related to these comments, please do not hesitate to contact either Ms. Leona Melamed at leona.melamed@tbs-sct.gc.ca (613-946-7538) or myself at michel.vaillant@tbs-sct.gc.ca (613-952-0886).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Vaillant', with a long horizontal stroke extending to the right.

Michel Vaillant
Acting Executive Director,
Government Accounting Policy and
Reporting

c.c.: Bill Matthews, Comptroller General of Canada