



The International Public Sector Accounting Standards Board (IPSASB)

Website submission

Preface

The Pan African Federation of Accountants (PAFA) is a network partner of the International Federation of Accountants (IFAC) and the regional organisation for the accountancy profession in Africa. Our membership consists of 56 professional accountancy organisations in 45 countries in Africa. Through these organisations we reach more than 125 000 professional accountants in Africa – all potential agents of change.

PAFA's vision is sustainable value creation to benefit the citizens of Africa. We achieve this by strengthening the influence and capacity of the accountancy profession to enhance trade, the quality of services, and trust in institutions. Our strategic actions aimed at promoting and supporting good governance, transparency, and accountability in the public sector are integrated into our three strategic areas of focus—Effective PAOs | Technical Excellence | Quality & Mobility.

Presented below is PAFA's response to the Specific Matters for Comment raised in the Exposure Draft (ED) 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48), developed and approved by the International Public Sector Accounting Standards Board (IPSASB). The responses detailed below have been prepared in consultation with our members and other stakeholders in the region.

Specific Matter for Comment 1:

The IPSASB decided to carry over the proposals in ED 84 in IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers) related to the concession in concessionary leases to IPSAS 47 (see paragraphs IPSAS 47. BC141 – BC145). Do you agree with the proposed amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

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Response

PAFA agrees with the proposed amendments to IPSAS 47, which incorporate the proposals from ED 84 regarding concessionary leases.

In addition to the reasons provided in the Basis for Conclusions, the amendments provide clear guidelines on the measurement and recognition of concessionary leases. This clarity helps preparers of financial statements to apply the standards consistently and reduces the scope for interpretation errors. Clear guidelines also aid auditors in verifying compliance with the standards.

It is important to also note that concessionary leases are more common in the public sector due to the nature of public services and the relationships between government entities and not-for-profit organisations. By addressing these specifically in IPSAS 47, the standard meets the unique needs of public sector accounting, ensuring that financial reporting reflects the specific transactions and arrangements prevalent in this sector.

Specific Matter for Comment 2:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets in IPSAS 47 (see paragraphs IPSAS 47. BC146 – BC150). Do you agree with the proposed non-authoritative amendments to IPSAS 47? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

Response

PAFA agrees with the proposed non-authoritative amendments to IPSAS 47 and below are some additional reasons supporting this position:

Firstly, non-authoritative guidance can help clarify complex issues without the rigidity that authoritative guidance might impose. This flexibility allows for a range of scenarios to be addressed more effectively, helping public sector entities navigate arrangements that convey rights over assets with greater flexibility.

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Secondly, different jurisdictions have varying legal, economic, and operational contexts. Non-authoritative guidance allows for adaptability, letting entities tailor the principles to their specific situations while still adhering to the overarching framework of IPSAS 47. This can enhance the relevance and applicability of the standards in diverse environments.

Thirdly, authoritative amendments often come with significant compliance costs. By opting for non-authoritative guidance, the IPSASB provides valuable insights without imposing additional burdens on public sector entities. This approach ensures that entities can focus their resources on critical areas while still benefiting from the guidance.

Finally, non-authoritative guidance can act as a transitional tool, allowing entities to gradually adopt new practices and principles. This can be particularly beneficial for entities that may need more time to align their practices with new standards, ensuring a smoother and more effective transition.

Specific Matter for Comment 3:

The IPSASB decided to propose non-authoritative guidance for arrangements conveying rights over assets without considerations in IPSAS 48 (see paragraph IPSAS 48. BC41 – BC44). Do you agree with the proposed non-authoritative amendments to IPSAS 48? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.



Response

PAFA agrees with the IPSASB's decision to propose non-authoritative guidance for arrangements conveying rights over assets without considerations in IPSAS 48 and sees it as a positive step. The additional reasons for supporting this position include:

- Non-authoritative guidance can address ambiguities and grey areas in the standard that might not have been fully covered in the authoritative text. This is important for fostering a comprehensive understanding of the standard's application.
- For entities transitioning to IPSAS 48, non-authoritative guidance can act as a bridge, providing practical insights and easing the adoption process. It can mitigate the learning curve and help entities transition more smoothly.
- By outlining best practices, the non-authoritative guidance can encourage higher standards of financial reporting and transparency. This is in line with the overarching goals of IPSAS to improve public sector financial management and accountability.