ASOCIACIÓN INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE

Panamá, Republic of Panamá, June 17 2024
Oficio N°49/062024

Subject: Comment letter on Draft Exposure 89, "International Public Sector Accounting Standard: Amendments to Consider IFRIC Interpretations"

Dear Mr. Carruthers:

I appreciate the opportunity to comment on Exposure Draft 89 mentioned above. "Amendments to Consider IFRIC Interpretations" and provide you with our response to the Request for Information.

These comments are made in my capacity as the Inter-American Accounting Association (AIC) President, made up of 29 sponsoring organizations from 20 countries in Latin America and the Caribbean, through the Inter-American Public Sector Technical Commission Coordination.

I am pleasured to provide you with my comments with the objective of improving the transparency, relevance and comparability of financial statements across jurisdictions. We support the IPSASB's phased approach to addressing such a complex issue as IFRS interpretations are essential to ensuring that the standards are applied consistently and clearly around the world, facilitating the transparency, comparability and reliability of financial reporting global.

1. OBJECTIVE

The objective of the ED is to propose amendments to IPSAS to clarify the application of existing principles in IPSAS. The proposed amendments are aligned with Interpretations developed by the IFRS Interpretations Committee.

This project considers seven IFRIC and SIC Interpretations that were issued by the IFRS Interpretations Committee, but had not yet been considered by the IPSASB, to determine their applicability to the public sector. In its assessment, the IPSASB considered whether public sector entities may face similar application issues and whether incorporating guidance based on the Interpretations into IPSAS would help clarify the application of existing accounting principles.

The IPSASB intends to consider the applicability of future IFRIC Interpretations as they are issued by the IFRS Interpretations Committee.

2 – SPECIFIC MATTER FOR COMMENT 1:

- **IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities:**

  To clarify how an entity should account for specific changes in estimates of existing liabilities to dismantle, remove and restore a property, plant, and equipment asset in the scope of IPSAS 45, or right-of-use asset in the scope of IPSAS 43. Amendments (IPSAS 19 / 43 / 45)

- **IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds:**

  To clarify how an entity that is a contributor to a decommissioning fund should account for its obligation to pay decommissioning costs and its related interest in that fund. Amendments (IPSAS 19)

- **IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies:**

  To clarify how an entity identifies the existence of hyperinflation in the economy of its functional currency when the economy was not hyperinflationary in the prior period. Amendments IPSAS 10).

- **IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:**

  To clarify how an entity should consider limits on the defined benefit asset and minimum funding requirements when accounting for its post-employment defined benefits or other long-term employee defined benefits. Amendments (IPSAS 39)

- **IFRIC 21, Levies:**

  To clarify how an entity should account for an obligation to pay levies imposed by a government. Amendments (IPSAS 19)

SPECIFIC MATTER FOR COMMENT 2:

- **<u>IFRIC 6, Liabilities Arising from Participating in a Specific Market— Waste Electrical and Electronic Equipment:</u>**

  To clarify when an entity that produces electrical and electronic equipment for household use and is required under legislation to pay e-waste management costs should recognize a provision for waste management costs.

  The IPSASB noted that there are rare circumstances where a public sector entity applying IPSAS would be a producer of electrical and electronic equipment for household use. Thus, the IPSASB decided that the guidance in IFRIC 6 is not applicable or useful for the public sector.

- **<u>SIC-7, Introduction of the Euro:</u>**

  To clarify how an entity in a country participating in the Economic and Monetary Union (EMU) should account for the change from its national currency to the euro.

  The IPSASB noted that there is limited applicability of the guidance for the international public sector, as-is. Further work is required to consider other challenges in applying IPSAS 4, The Effects of Changes in Foreign Exchange Rates in the international public sector, including dollarization and other current or prospective monetary unions. Thus, the IPSASB decided to further consider the application of IPSAS 4 in its future work program.

3 – QUESTION PROPOSED BY IPSASB

Specific topic for comment 1:

The IPSASB proposes amendments to IPSAS based on five IFRIC Interpretations developed by the IFRS Interpretations Committee, as presented in Table 1, because the guidance is applicable to the public sector (see Basis for Conclusions paragraphs in the respective IPSAS). Do you agree with the proposed amendments? If not, please explain your reasons.

Specific topic for comment 2:

The IPSASB decided not to propose amendments to IPSAS based on two Interpretations, as presented in Table 2, for the rationale listed below. Do you agree with the IPSASB's decision not to propose amendments to IPSAS for these two Interpretations? If not, please explain your reasons, and indicate where the guidance should be included and why.

4 – RESPONSE.

Opinion Comment 1

Yes, the members of the AIC Public Sector Committee agree that no issue to highlight have been identified that we will request will be evaluated as a recommendation.

Recommendations

- In the amendment to IFRIC 1, it is advisable to clarify the procedure for reversing the discount, thus aligning it with paragraph 70 of IPSAS 19, in which it will be taken to the result of the period in which it takes place.

- In the amendment to the IFRIC1, on certain occasions there is a transfer of assets and liabilities that may include provisions for dismantling or remediation, it is important to consider whether said transfer does not generate any type of obligation to the previous operator of said asset.

- In the amendment of IFRIC5, concatenating with section 2, there may be cases where potential additional contributions are generated by assuming a position of guarantors and could be constituted as a joint and several obligations.

- In amending IFRIC7, clarifying when the general price index is not available or does not provide reliability, the application of paragraph 20 of IPSAS 10 should be considered.

- In the amendment to IFRIC 21, the conceptual framework in paragraph 5.15 regarding Obligations tells us that public sector entities may have a series of obligations. Obligations are binding when an entity has little or no realistic alternative to avoid them. In paragraph 8 of IFRIC 21 it mentions that the event that generates the obligation that gives rise to a liability to pay a lien is the activity that produces the payment of the lien, in the terms indicated by the legislation. A conflict may be noted that needs to be clarified since certain lien obligations may arise indistinctly from the generating event.

- A specific case in a jurisdiction is a lien on the outflow of foreign currency whose generating event will be the moment of the transfer, but the origin may be the acquisition of a fixed asset that generates said obligation. We have several concerns in this regard. The lien should be considered. as part of the acquired asset or will be taken to income at the time of payment.

Opinion Comment 2

Yes, the members of the AIC Public Sector Committee agree that no issue to highlight have been identified that we will request will be evaluated as a recommendation.

Recommendations

- IFRIC 6, generally the public sector is not immersed in the production of electronic equipment but has the responsibility for the proper management of its recovery and recycling, in many cases it generates costs associated with its storage and custody before its scrapping process that should be evaluated.

- SIC 7, the requirements of IPSAS 4, related to the translation of operations and financial statements, must be strictly applied in the case of exchange of currency used in a jurisdiction, some countries in Latin America have experienced dollarization processes and we believe It is convenient for the board to evaluate the regulations for conversion to current and future monetary units, including regional compensation systems.

If you would like to discuss our feedback further, please do not hesitate to contact me.

Lic. Jorge Sandoval la Serna
President

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