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Dear *Ross Smith*

EXPOSURE DRAFT 89 ON AMENDMENTS TO CONSIDER IFRIC INTERPRETATIONS.

The Public Sector Accounting Standards Board Kenya (PSASB) is mandated by section 194 of the Public Finance Management Act of Kenya, 2012 to prescribe frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities. The Board mainstreams best practices for good governance, internal controls, and risk management.

We thank the IPSASB for ED 89 to consider IFRIC interpretations. This is a key step towards maintenance to existing standards by providing constituents with interpretations that will enable ease in implementation of IPSAS standards.

PSASB's comments on the Exposure Draft are outlined in the appendix to this letter.

CPA GEORGINA MUCHAI
AG. CHIEF EXECUTIVE OFFICER

Responses to Exposure Draft 89: Amendments to Consider IFRIC Interpretations.

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

Specific Matter for Comment 1

The IPSASB proposes amendments to IPSAS based on five IFRIC Interpretations developed by the IFRS Interpretations Committee, as presented in the Table below, because the guidance is applicable to the Public Sector.

Do you agree with the proposed amendments? If not, please explain your reasons.

IFRIC Interpretation	Proposed Amendments to IPSAS	Summary of Proposed Amendments
IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities.	IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets IPSAS 43, Leases IPSAS 45, Property, Plant, and Equipment	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.
IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets	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.
IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	IPSAS 10, 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.
IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IPSAS 39, Employee Benefits	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.
IFRIC 21, Levies	IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets	To clarify how an entity should account for an obligation to pay levies imposed by a government.

PSASB Kenya agrees with IPSASB's proposal to amend IPSAS in relation with interpretations developed by IFRIC. We believe that these amendments will provide the constituents with clarity in the application of standards in relation to the five interpretations outlined in ED 89.

Specific Matter for Comment 2

The IPSASB decided not to propose amendments to IPSAS based on two Interpretations, as presented in the Table below, 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.

IFRIC or SIC Interpretation	Summary of IFRIC or SIC Interpretation	IPSASB's Rationale for not Incorporating into IPSAS
IFRIC 6, Liabilities Arising from Participating in a Specific Market— Waste Electrical and Electronic Equipment.	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.
SIC-7, Introduction of the Euro	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.

PSASB Kenya agrees with the proposal as the two interpretations may not be prevalent in the public sector. Additionally, we agree that in relation to SIC 7 on the introduction of the Euro, more work needs to be done in relation to IPSAS 4 in order to broaden the applicability of SIC 7.

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