



27 November 2024

***BOTSWANA INSTITUTE OF CHARTERED ACCOUNTANTS COMMENT
LETTER TO IPSASB'S EXPOSURE DRAFT (ED) 91-Limited Scope Update to
First time Adoption of Accrual basis International Public Sector
Accounting Standards (IPSAS) Amendments to IPSAS 33***

Introduction

The Botswana Institute of Chartered Accountants ("BICA") is a statutory body established by Accountants Act, 2010, as amended for the regulation of the accountancy profession in Botswana. The Institute's mission is to protect public interest through promoting the accountancy profession, supporting accountants, facilitating quality professional accountancy services through the monitoring and regulation of professional accountants.

The Institute appreciates the opportunity to contribute towards exposure draft ***91-Limited Scope Update to First time Adoption of Accrual basis International Public Sector Accounting Standards (IPSAS) Amendments to IPSAS 33.***

We have provided our comments on the specific matter for comment as per the Exposure Draft. Should you wish to have further engagements please do not hesitate to contact the undersigned.

Yours Faithfully,

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Buisanang Ushuka, ACPA

Acting Director – Technical and Public Sector Accounting Services

We welcome the opportunity to comment on the Exposure Draft (ED) 91, Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)

Specific Matter for Comment 1:

The IPSASB agreed to undertake this limited scope project to address stakeholder concerns in the application of IPSAS 33, to improve its effectiveness and user-friendliness. In response, the IPSASB propose to amend IPSAS 33 as follows:

- (a) To revise authoritative text and Basis for Conclusions by rearranging the guidance by topic;*
- (b) To revise guidance to improve understandability and reduce duplication;*
- (c) To revise relevant guidance to encourage the first-time adopter to apply IPSAS incrementally and as soon as possible by emphasizing the choice to elect to apply or not apply the available exemptions;*
- (d) To add non-authoritative guidance (particularly under implementation guidance) to support the understanding and application of IPSAS 33; and*
- (e) To add non-authoritative guidance on the pre-adoption planning and preparation phase of the transition to accrual basis IPSAS.*

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

Comment

Yes, we do agree with the proposed amendments and that the ED does not propose any changes to the objective, scope, or available exemptions in IPSAS 33.

Our assessment shows that any move to restructure the content in the standard to improve its effectiveness and user-friendliness is worthy to recommend.

We are particularly in full support of the revision of relevant guidance to encourage the first-time adopter to apply IPSAS incrementally and as soon as possible by emphasizing the choice to elect to apply or not apply the available exemptions;

Also, the inclusion of non-authoritative guidance specifically under implementation guidance to support the understanding and application of IPSAS 33 is a step in the right direction. This initiative will not only provide users a suitable starting point for accounting in accordance with accrual basis IPSAS but also provides benefits that are expected to exceed the costs.

Furthermore, we find the Amendments to Other IPSAS very helpful as these amendments are consistent across multiple IPSASs, and do not propose any principled changes in the respective IPSAS. More importantly, the Amendments to Other IPSAS have been summarized in tabular format for ease of reference.

Again, we support the revision of authoritative text and Basis for Conclusions by rearranging the guidance by topic. For example, the revision of IPSAS 33 as a result of IPSAS 46, Measurement and ED 90 as contained in BC131 to BC133

We unreservedly also believe that the inclusion of this guidance will undoubtedly help first-time adopters who may elect to use a current value measurement basis, such as current operational value or fair value, as deemed cost for inventory, investment property, property, plant, and equipment, intangible assets, right-of-use assets, financial instruments, or service concession assets.

Moreover, we find The IPSASB's decision to replace the existing non-authoritative guidance with new Implementation Guidance and Illustrative Examples to help first-time adopters better understand the application and use of IPSAS 33 laudable. For example, the new Implementation Guidance (IG) clarified the objective and scope of IPSAS 33; specific definitions; exemptions relating to the recognition and measurement of items; the exceptions to applying accrual basis IPSAS; and presentation and disclosure.

Specific Matter for Comment 2:

The definition of "deemed cost" was previously deleted from the IPSAS 33 as a consequential amendment through IPSAS 46, Measurement. The IPSASB agreed that the definition of "deemed cost" is important for the understanding of the exemptions in the Standard relating to the use of deemed cost, and therefore propose to include a copy of the IPSAS 46 definition of deemed cost in IPSAS 33.

Do you agree with the inclusion of the definition of "deemed cost"? If not, please explain your reasons.

Comment

Yes, we do agree with IPSASB's assertion that the definition of "deemed cost" is important for the understanding of the exemptions in the Standard relating to the use of deemed cost, and therefore the proposed inclusion of a copy of the IPSAS 46 definition of deemed cost in IPSAS 33 is welcome.

We also acknowledge that the definition of "deemed cost" is provided in IPSAS 46, Measurement and IPSAS 46 deleted the definition of "deemed cost" from IPSAS 33. However, we do not accept wholly the reasons assigned in BC15 that it was included due to the particular importance of deemed cost in the application of the exemptions in IPSAS 33, and because IPSAS 33 precedes IPSAS 46. The phrase "because IPSAS 33 precedes IPSAS 46" is somewhat troubling as many revisions have been made to predecessor standards on the grounds that they are justifiable, consistent and relevant.

Nonetheless, the inclusion of the definition of "deemed cost" as can be seen through the Exposure Draft will help bring clarity and easy adaptation. For example, some measurements in accordance with IPSAS are based on an accumulation of past costs or other transaction data. If a first-time adopter has not previously collected the necessary information, collecting or estimating it retrospectively may be costly and/or impractical.

Moreover, to avoid excessive cost, it is recommended that first-time adopter should use the current operational value or fair value as a substitute for the initial cost of inventory, investment property where the first-time adopter elects to use the historical cost model in investment property, property, plant, and equipment, financial instruments and service concession assets at the date of adoption of IPSAS.

We also support the IPSASBs position that cost is generally equivalent to current operational value or fair value at the date of acquisition. Hence, the use of current operational value or fair value as the deemed cost of an asset means that a first-time adopter reports the same cost data as if it has acquired an asset with the same value or same remaining service potential at the date of adoption of IPSAS.

In furtherance to above, we strongly believe that If there is any lack of comparability, it arises from the aggregation of costs incurred at different dates, rather than from the use of current operational value or fair value as deemed cost for some assets at a date.

To this end, we do support the IPSASBs decision to reintroduce the definition of “deemed cost” in IPSAS 33 as it is aligned with the definition in IPSAS 46 and that using deemed cost will facilitate the introduction of IPSAS in a cost- effective way.