



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

Panama, Republic of Panama, December 12, 2024  
Official Letter 129/122024 AIC

**Subject: Comment letter on Draft Exhibit 91, "Updates limited in scope to the first adoption of the International Public Sector Accounting Standards (IPSAS) based on the cumulation principle".**

Dear Mr. Carruthers,

I appreciate the opportunity to comment on Draft Rule 91 mentioned above. "Updates limited in scope to the first adoption of the International Public Sector Accounting Standards (IPSAS) based on the cumulation principle," and provide you with our response to the Request for Information.

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

I am pleased to provide you with my comments regarding the implementation of IPSAS 33, which is key as it facilitates a gradual transition to accrual accounting, improving the transparency and comparability of our financial statements. In addition, it allows us to comply with international standards, strengthening confidence in our financial information.

#### **1 – OBJECTIVE**

The objective of this ED is to propose to clarify and restructure existing guidance and to add new unauthorized guidance to IPSAS 33. Adoption for the first time of the International Public Sector Accounting Standards (IPSAS) based on the cumulation principle to assist public sector entities in adopting IPSAS on an accrual basis.

Draft Standard 91 does not propose changes to the scope, objective, or exemptions of IPSAS 33, but seeks to improve its usability and effective implementation. To this end, it is proposed to group guidance by topic to make it more accessible, revise existing guidance to encourage institutions to adopt IPSAS as soon as possible, and add new implementation guidance to address common challenges in the implementation of the standard.



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**2 – SPECIFIC MATTERS COMMENT 1**

Specific subject for comment 1:

IPSASB agreed to undertake this limited-scope project to address the concerns of stakeholders in the implementation of IPSAS 33, in order to improve its effectiveness and ease of use. In response, the IPSASB proposes to amend IPSAS 33 as follows:

- (a) Revise the authoritative text and the Basis of Conclusions by reorganizing the guidance by topic;
- (b) Revise guidance to improve understanding and reduce duplication;
- (c) Review relevant guidance to encourage first-time adopters of IPSAS to implement it gradually and as soon as possible, with an emphasis on the choice of whether or not to apply the available exemptions;
- (d) Add unauthorized guidance (in particular, under the guidance on implementation) to support the understanding and application of IPSAS 33; and
- (e) Add unauthorized guidance on the planning and preparation phase prior to the adoption of IPSAS on a cumulative basis.

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

**Review Comment 1**

Yes, the members of the AIC Public Sector Committee agree with the proposed amendments.

**Considerations:**

**a) Authorized Text and Basis of Conclusions: reorganization of the orientation by topics**

We agree with the reorganization of the topical guidance in the Authoritative Text and Basis of Conclusions of IPSAS 33. This thematic structure will provide greater coherence and facilitate the understanding of the rule for adopters, allowing them to access information in a more logical way. Sequential correlation significantly improves the usefulness of the standard, as it allows for a clearer and more accessible interpretation of the issues relevant to IPSAS adoption.

An important additional consideration in this paragraph could focus on the consistency and clarity of key definitions, not only of "imputed cost", but of other technical terms that may be relevant to the proper application of the exemptions in IPSAS 33. This includes ensuring that all definitions used in the standard are aligned with the latest relevant IPSAS updates, such as IPSAS 46, to avoid any ambiguity.



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**(b) Guidance to improve understanding and reduce duplication**

Clearer and more concise guidance reduces the burden of interpretation, making it easier for adopters to quickly identify relevant points, without being overwhelmed by the repetition of concepts or instructions. This, in turn, decreases the risk of errors in the application of the standard, as users will have a more direct and focused reference.

In addition, this improvement reinforces the accessibility of the standard for diverse audiences, including those with less experience in IPSAS adoption. By simplifying the structure and eliminating duplication, greater clarity is provided on regulatory expectations, contributing to a more agile and accurate implementation. This is particularly important for adopters who are facing the transition to accrual-based accounting for the first time, as they will be able to access a more simplified and easy-to-interpret standard.

**(c) Phased implementation as soon as possible, with emphasis on the choice of whether or not to apply available exemptions;**

By offering the option to implement standards in a phased manner, the pressure on entities to immediately comply with all requirements is reduced, allowing them to adapt progressively and ensure that each step in the transition is aligned with their operational and technical capabilities. This also incentivizes early adoption of IPSAS, as adopters can take advantage of this flexibility without having to wait until they are fully prepared for full implementation. The option to apply waivers allows them to focus on critical areas of the transition, optimizing their efforts and resources.

In addition, the suggestion that paragraph B.2 Transition period should allow for the specification that adoptive parents may opt for a longer preparatory phase than the three years originally contemplated in the rule is a valuable addition. In many cases, the pre-adoption planning and preparation phase may require a longer lead time due to the complexity of changes in systems, processes, and the need for staff training. Offering this option not only provides a more adaptable approach for jurisdictions that need it, but also improves the odds of success in the transition, ensuring that institutions are fully prepared before the end of the transition period.

**(d) unauthorized guidance (in particular under the implementation guidelines) to support the understanding and application of IPSAS 33;**

It is advisable to include detailed implementation guidelines that guide entities in their gradual transition, strengthening key principles such as accountability and transparency in the management of public resources, fundamental in IPSAS.

In addition, these guidelines should address each stage of the adoption process, starting with an accounting planning and clean-up phase, which is crucial to ensuring the accuracy of asset and liability balances, and align with IPSAS accounting principles. It is also important that recommendations be included on staff training and the development of



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appropriate accounting systems to facilitate implementation. This comprehensive approach will support banks to better adapt to new accounting requirements.

Finally, unauthorized guidance could include practical examples and case studies that show how other entities have overcome challenges during adoption, providing adopters with new perspectives and concrete solutions to address similar difficulties in their own context.

**(e) Unauthorized guidance on the planning and preparation phase prior to the adoption of IPSAS on an accrual basis.**

It is suggested that this additional guidance include the application of administrative guidelines for the implementation of an accounting clean-up and sanitation process, which will serve as a solid basis for the adoption of IPSAS.

The Accounting Clean-up and Clean-up process is defined as a set of activities that seeks to determine the real existence of the entity's assets and liabilities, as well as their correct measurement. This involves excluding from the financial statements those securities that do not meet the definition and recognition criteria, and including or reclassifying those that do. Not only does the clean-up ensure the accuracy of the opening balance sheets, but it also aligns the accounting accounts with their actual nature, preparing the entity for IPSAS adoption.

This process can comprise several key stages:

- Identification of balance sheets: Determine the beginning balances of assets and liabilities.
- Data collection: Collect relevant information about book values.
- Study and evaluation: Analyze data for accuracy and IPSAS compliance.
- Decision making: Deciding which securities to include, exclude, or reclassify in financial statements.
- Preservation: Document and maintain adequate records of the purification process.

**SPECIFIC MATTERS COMMENT 2**

The definition of "attributable cost" was previously removed from IPSAS 33 as a consequential modification through IPSAS 46, Measurement. The IPSASB agreed that the definition of "attributable cost" is important for the understanding of exemptions in the Standard related to the use of attributed cost and therefore proposes to include a copy of the definition of attributable cost from IPSAS 46 in IPSAS 33.

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



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**Review Comment 2**

Yes, the members of the AIC Public Sector Committee agree with the inclusion of the definition of "assigned cost" in IPSAS 33.

**Considerations:**

**Conceptual coherence**

The definition of "attributable cost" is essential for the correct interpretation of exemptions related to the initial measurement of assets during the transition. Its reinstatement in IPSAS 33 ensures greater regulatory clarity, aligns this standard with IPSAS 46 and reinforces conceptual consistency between standards, avoiding discrepancies in the application of accounting principles.

**Support for first-time adopters**

For early adopters of IPSAS, direct access to key definitions, such as "attributed cost", is essential to simplify the interpretation of technical concepts and reduce consultation of other standards. This significantly improves the efficiency of the adoption process, especially in contexts where resources and specialized knowledge may be limited.

**Preventing regulatory gaps**

The previous removal of the definition could have led to confusion and regulatory gaps among users. By reintroducing it, a uniform and clear understanding of exemptions related to the use of attributed cost is ensured, reducing the possibility of interpretative errors and promoting a consistent application of the rules.

**Additional recommendations:**

**Incorporating illustrative examples**

It is suggested that the future standard include practical examples demonstrating how to apply "attributed cost" to fixed assets, particularly in Buildings and Structures that lack adequate documentation of the original cost. This will provide greater security to users in situations where historical information is insufficient or inaccurate.

**Cost-benefit assessment**

It is important that the standard provides for a cost-benefit assessment so that adopters can include in their budgets the resources needed to implement IPSAS. Likewise, the creation of effective internal control systems that facilitate the practical application of accounting principles in their operational processes should be considered.



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**Ongoing research and best practices**

It is essential to promote continuous research on IPSAS implementation, in order to collect the best adoption experiences at the international level. Given that implementation in subnational governments can be heterogeneous, this research will help to identify challenges and generate solutions adapted to different administrative realities.

If you would like to discuss our feedback further, please feel free to contact me.

A handwritten signature in blue ink, appearing to read 'Jorge Sandoval la Serna', is positioned to the left of the large '75' logo.

Lic. Jorge Sandoval la Serna  
**President**

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