
EXPOSURE DRAFT 91

**LIMITED-SCOPE UPDATES TO FIRST-TIME ADOPTION OF ACCRUAL BASIS
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

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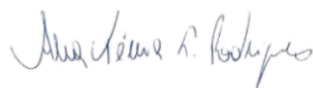
Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *Exposure Draft (ED) 91, Limited-Scope Updates to First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)*. CFC, alongside with its regional arms – *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization responsible for regulatory activities overseeing the accountancy profession throughout the country.

Our points of view and comments can be found in the Appendix of this document, which was prepared by the Permanent Committee for Public Sector Accounting Standards (CP CASP – acronym in Portuguese) linked to the Federal Accounting Council.

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,



Ana Tércia Lopes Rodrigues
Technical Vice-President
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CONTEXT AND GENERAL COMMENTS

The Brazilian Federation is composed by 26 states, the Federal District and 5,569 municipalities governments. These levels of governments are responsible for formulating, implementing, and evaluating public policies in cooperative and/or competitive arrangements.

Gradual and Strategic Adoption of the Accrual Basis in the Brazilian Public Sector

In Brazil, the adoption of the accrual basis of accounting in the public sector was planned gradually, respecting local characteristics and the operational capacity of the entities. Instead of directly implementing IPSAS 33, accounting procedures were defined with different deadlines, adjusted to the complexity of each stage.

The attached slides complement this approach, highlighting the normative tools and the different deadlines for adopting the Asset Accounting Procedures, in accordance with Ordinance nº. 548/2015, issued by the National Treasury Secretariat (STN). They show how Brazil structured the transition strategically, balancing international harmonization with local reality. This strategy allowed for a more consistent technical transition in line with global standards.

APPENDIX

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.

Answer:

CP CASP/CFC partially agrees with the changes proposed in ED 91. However, based on the Brazilian experience, we emphasize that the three-year deadline for the complete transition may be insufficient for some public entities, considering the technical, structural and operational adaptations necessary for the implementation of the IPSAS.

In Brazil, the adoption of the accrual basis was conducted gradually, with different deadlines for different accounting procedures, adjusted to the complexity of the stages and the operational capacities of the entities. This approach allowed for a more solid technical transition, ensuring greater consistency and adherence to standards.

In addition to Brazil, other countries, especially developing ones, have also adopted a gradual transition to the IPSAS, facing challenges such as limited technical, financial and training resources. Setting uniform deadlines can hinder effective implementation, especially in contexts where adaptation requires significant investments and structural reorganization.

CP CASP/CFC recognizes that the three-year limit aims to ensure speedy adoption, but we suggest that the IPSASB evaluate the possibility of mechanisms that make this deadline more flexible, provided they are technically justified, considering the profile of each country to accommodate different realities without compromising the comparability and quality of financial information.

Furthermore, setting a short time limit for full adoption of the IPSAS could discourage public entities from adopting them, considering the high costs of the transition process between entities that have their accounting on a cash basis and an accrual basis.

CP CASP/CFC therefore supports the proposals in ED 91, reinforcing the need to consider adjustments that promote a viable and technical transition, guaranteeing the alignment of accounting practices with international requirements in a consistent and sustainable manner.

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.

Answer:

CFC/CP CASP agrees with the inclusion of the definition of “deemed cost” in IPSAS 33.