



ED 131

Responses due by 13 November 2015

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON THE EXPOSURE DRAFT OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD ON THE APPLICABILITY OF IPSASs

(ED 131)



ED 131

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the International Public Sector Accounting Standard Board's (IPSASB) on *The Applicability of IPSASs* (ED 131). Comment received on this Exposure Draft will be used in formulating a response to the IPSASB.

Comment should be submitted in writing so as to be received by **13 November 2015**. E-mail responses are preferred. Unless respondents to the Exposure Draft specifically request confidentiality, the comment is a matter of public record once the pronouncement has been issued. Comment should be addressed to:

The Chief Executive Officer
Accounting Standards Board

P O Box 74219

Lynnwood Ridge

0040

Fax: +2711 697 0666

E-mail Address: info@asb.co.za

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Background to this Exposure Draft

Background and objective of the Exposure Draft

The IPSASB issued the proposed Consultation Paper on *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities* in August 2014 to seek comment on the applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities. Respondents to the Consultation Paper supported an approach whereby the IPSASB would describe characteristics of public sector entities for which IPSASs and RPGs are intended, rather than retaining and improving the definition of a GBE.

Consequently, the IPSASB issued the Exposure Draft on *The Applicability of IPSASs*, in July 2015, which proposes communicating its view of the entities to which IPSASs and RPGs apply. The objective of the Exposure Draft is to remove the GBEs definition in IPSAS 1, and propose consequential amendments in IPSASs and RPGs that are in issue as at 31 March 2015.

The main proposals in the Exposure Draft are as follows:

- Delete the GBE definition in IPSAS 1, *Presentation of Financial Statements*.
- Amend the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs.
- Replace the current paragraph 10 in the *Preface* with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

“The IPSASs are designed to apply to public sector entities¹ that:

- (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;*
- (b) Mainly finance their activities, directly and indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and*
- (c) Do not have a primary objective to make profits.”*

¹ Paragraph 1.8 of The Conceptual Framework for General Purpose Financial Reporting by Public Entities identifies a wide range of public sector entities for which IPSASs are designed.

² Services encompass goods, services and policy advice.

Impact of the Exposure Draft on the South African environment

The IPSASB's project on GBEs coincides with the Board's own project to determine an appropriate reporting framework for GBEs locally. The IPSASB's approach reflects the characteristics of those entities that should apply IPSASs, and acknowledges the role of regulators and other authorities in determining which entities should apply IPSASs within each jurisdiction.

The Board recently finalised its own project which resulted in the issuing of the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities* (Directive 12). This Directive prescribes the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

While the IPSASB's approach is helpful in the local context to determine which entities should apply Standards of GRAP, the Board still needs to assess the impact of these proposals locally. The work undertaken by the Board in developing Directive 12 does however supplement, rather than contradict, the approach taken by the IPSASB.

Due process and timetable

The due process followed by the Board in developing Standards of GRAP is for the Board to receive comment on the proposals set out in the Exposure Draft from preparers, users, auditors, standard setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are invited to provide comment.

Invitation to comment

Comment is invited by **13 November 2015** on this Exposure Draft. The comment period is earlier than the comment date of the international Exposure Draft to enable the Board to review and collate the comment received prior to submission to the IPSASB.

The Board requires that respondents express an overall opinion on whether the Consultation Paper, in general, is supported and supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Consultation Paper.

Invitation to comment on specific matter

The IPSASB invites comment on the following Specific Matter for Comment included below:

Specific Matter for Comment

The IPSASB proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the



ED 131

Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the *Executive Summary* of the ED. This description will be part of the *Preface to International Public Sector Accounting Standards*.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

Other matters

As with any other Exposure Draft, comment on any other matter would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs in your response.