

AT A GLANCE

Consultation Paper, *The Applicability of IPSASs™ to GBEs and Other Public Sector Entities*



AASB 17-18 December 2014
Agenda paper 11.3 (M142)

Consultation Paper Summary

The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities

This summary provides an overview of the Consultation Paper, *The Applicability of IPSASs to GBEs and Other Public Sector Entities*.

Project objectives:

The objective of this project is to seek comments on the applicability of International Public Sector Accounting Standards™ (IPSASs) to GBEs and other public sector entities.

The project and stage:

The International Public Sector Accounting Standards Board (IPSASB) issued this Consultation Paper (CP) in August 2014.

Next steps:

The IPSASB seeks feedback to inform future proposals on the types of public sector entities for which it is developing IPSASs.

Comment deadline:

The CP is open for public comment until December 31, 2014.

Why is the IPSASB Undertaking this Project?

The IPSASB wants to consider the types of entities for which it is developing IPSASs and its approach to them.

Different interpretations of GBEs definition

The IPSASB has received feedback that there are a wide range of entities being described as GBEs, some of which do not meet the definition of a GBE in IPSAS 1, *Presentation of Financial Statements*. In part this situation reflects different interpretations of the definition.

Transparency

In its role as the international standard setter for the public sector, the IPSASB considers that it has a responsibility to be transparent about the types of public sector entities that it considers when developing IPSASs.

Objectives of financial reporting

The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of general purpose financial reporting (GPFs) for accountability purposes and for decision-making purposes. The inadequate classification of a public sector entity can undermine these financial reporting objectives. Inconsistent application of the GBE definition hinders comparisons between entities.

Types of controlled entities in the public sector

There are many types of controlled entities in the public sector. Controlled entities in the public sector can be envisaged along a spectrum.

At one end of the spectrum are entities likely to have characteristics similar to the profit-oriented entities for which the International Accounting Standards Board develops and maintains International Financial Reporting Standards. Such entities would generally meet the current definition of a GBE.

At the other end of the spectrum there are entities which provide public services to achieve outcomes which enhance or maintain the well-being of citizens and are totally dependent on government funding. Such entities would not meet the current definition of a GBE.

Between these two types of entities, there are other types of public sector entities which are more difficult to classify as either profit-oriented or service-oriented.

Overview of Approaches and Options

Identifying the public sector entities for which IPSASB is developing accounting standards can be achieved in different ways.

The CP presents two approaches each with two options.

Approaches	Options	Brief Explanation
<p>(1) Describing the characteristics of public sector entities for which IPSASs are intended. Under this approach GBEs would not be defined.</p>	<p>(1a) Using IPSASB's current and developing terminology.</p> <p>(1b) Using Government Finance Statistics (GFS) reporting guidelines and explanatory guidance.</p>	<p>Option 1a relies on the current and developing IPSASB literature, including the Conceptual Framework, to provide high-level characteristics of public sector entities.</p> <p>Option 1b imports a number of terms and explanations from GFS reporting guidelines into IPSASB's literature to provide high-level characteristics of public sector entities.</p>
<p>(2) Modifying the current definition of a GBE in IPSAS 1, to resolve current problems in its application.</p>	<p>(2a) Clarifying the current definition of a GBE.</p> <p>(2b) Narrowing the existing definition of a GBE.</p>	<p>Option 2a clarifies the current GBE definition so that it can be applied more consistently, rather than modifying it significantly.</p> <p>Option 2b narrows the existing definition of GBEs to profit-oriented entities, thereby excluding entities with a full cost recovery financial objective.</p>

Next Steps:

The deadline for comments is December 31, 2014.

During the comment period, the IPSASB members are available to discuss the proposals with a wide range of parties.

How can I comment on the proposals?

The IPSASB's unanimous Preliminary View (PV) is that Approach 1 is the best way forward because it focuses on the characteristics of entities for which IPSASs are intended. Option 1a is high level and principles based and acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs.

The CP requests comments on the IPSASB's PV and two Specific Matters for Comment.

Respondents are also welcome to comment on any other matter they think the IPSASB should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link. Please submit comments in both a PDF file and a Word file.

Comment letters will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

Stay informed

The IPSASB will announce on its website the dates and locations of meetings to discuss feedback on the CP.

To stay up to date about the project, please visit: <http://www.ifac.org/public-sector/projects/government-business-enterprises>