

Exposure Draft 56 Summary—The Applicability of IPSASs

This summary provides an overview of Exposure Draft (ED) 56, *The Applicability of IPSASs*

Project objectives:

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

The project and stage:

The International Public Sector Accounting Standards Board (IPSASB) issued the [Consultation Paper \(CP\), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*](#), in August 2014. In July 2015, the IPSASB issued ED 56.

Next steps:

The IPSASB seeks feedback on ED 56 to guide it in communicating the public sector entities for which it is developing IPSASs and Recommended Practice Guidelines (RPGs).

Comment deadline:

The ED 56 is open for public comment until November 30, 2015.

Why is the IPSASB Undertaking this Project?

The IPSASB is considering how it communicates the types of entities for which it is developing IPSASs and RPGs.

Different interpretations of the GBE 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 for which it is developing IPSASs and RPGs.

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 (GPFRs) 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 the Approach

Identifying the public sector entities for which IPSASB is developing accounting standards using IPSASB's current literature.

Proposals

- 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 to IPSASs with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.

Description of Public Sector Entities

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 or 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.

Brief Explanation of Approach

This approach relies on the current IPSASB literature, including the *Conceptual Framework*, to provide high-level characteristics of public sector entities for which IPSASs are intended.

The characteristics identified in the revised paragraph 10 of the *Preface to IPSASs* along with the entities identified in paragraph 1.8 of the *Conceptual Framework* provides a comprehensive view of the public sector entities for which IPSASs are designed.

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

² Services encompass goods, services and policy advice.

Next Steps:

The deadline for comments is November 30, 2015.

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 ED requests comment on one Specific Matter for Comment—whether respondents support the proposal to remove all references to “Government Business Enterprises” from the IPSASB’s pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

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’s website will indicate the meetings at which feedback on the CP will be discussed. The dates, and, where known, the locations of 2016 meetings are available at:

<http://www.ipsasb.org/meetings>

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