



**Australian Government**

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**Australian Accounting Standards Board**

**Item J9.4: IPSASB Conceptual  
Framework, Phase 1 ED  
AASB-FRSB Meeting 16/3/2011**

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# Objectives of session

- **Key issues in Phase 1 ED of the IPSASB Conceptual Framework:**
  - **Identify**
  - **Seek Board members' views for submissions**



## Role/authority of Framework (Q1)

- **assist the IPSASB in developing IPSASs/guidance**
- **guidance on issues not covered by an IPSAS**
- **IPSASB yet to consider status of Framework in its IAS 8-equivalent hierarchy**
  - **Staff recommend urging IPSASB to make this a priority**



# Scope of financial reporting (Q1)

- **broader than financial statements**
- **GPFRs may present financial and non-financial information about:**
  - **achievement of service delivery objectives**
  - **future objectives, activities and resource needs**
  - **long-term fiscal sustainability**



# Scope of financial reporting (Q1)

- **Scope is not defined, but will evolve as users' needs evolve**
- **Staff recommend commenting that *usefulness* is not sufficient for identifying whether information belongs within *financial* reports**



# Two proposed Objectives (Q2)

To provide information useful for:

- **accountability purposes**
- **decision making purposes**

**Staff recommend advocating only one objective: decision making**



## Decision making (Q2)

- **Includes taxpayers' decisions about voting preferences and lobbying**
- **Include “evaluating decisions”?**
  - **Confirmatory value**
  - **Covers accountability?**



## Proposed 'primary users' (Q2)

- **service recipients and their representatives**
- **resource providers and their representatives**
- **the legislature and members of parliament, when acting in their capacity as representatives of service recipients and resource providers**



## Proposed 'primary users' (Q2)

**Staff recommend that:**

- **The IPSASB Framework does not identify primary users**
- **But, if it does, it should refer to 'parties performing a review or oversight function on behalf of other users', rather than 'legislators'**



## **Proposed information needs of users: compliance (Q2)**

- **legally adopted or approved budgets**
- **legislation or other authority governing the raising and use of public monies**

**Q: Do you support this broadening of the scope of financial reporting?**



## Qualitative characteristics (Q3)

- The ED proposes the same QCs as those in the revised IASB Framework

Staff recommend disagreeing with referring to information about “economic and other phenomena”



# Materiality [Q3(b)]

**Staff recommend disagreeing with treating materiality as a constraint on reporting useful information**



## **‘Fundamental’ and ‘enhancing’ QCs (Q3)**

- **ED proposes no distinction**

**Q: Is there a PBE/NFP-specific reason to differ from the IASB?**



## Reporting entity: proposed description (Q4)

“an organization, program or identifiable activity that prepares a GPFR”

Q: What does this description achieve?



## Reporting entity (Q4)

- **Dependent users are a key characteristic of a reporting entity**
- **No guidance for identifying which entities have dependent users and should, in concept, prepare GPFRs**
  - **Staff recommend advocating such guidance in the Framework**



## **Group reporting entity (Q4) includes:**

**Entities that a [parent] has the authority and capacity to direct the activities of, and either:**

- does so to benefit from those activities; or**
- is exposed to a financial burden or loss that may arise from those activities.**

**‘Benefits’ include financial returns, reductions in losses, and services.**



## Group reporting entity (Q4)

**‘Benefits’ from directing another entity include reductions in losses.**

**Q: Could a parent be exposed to a financial burden/loss from a directed entity without having the capacity to reduce those losses? i.e., would the ‘benefit’ test always be met?**



# Coherence of reporting entity chapter (Q4)

**Q: Is it illogical to say any entity that reports is a reporting entity, but to specify the boundaries of a group reporting entity?**