الاستحقاق المحاسبي
Accrual Accounting

وزارة المالية
Ministry of Finance

September 28, 2021

Mr Ross Smith

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street, 4th floor

Toronto

Ontario M5V 3H2

CANADA

RE: Comments on ED 80, *Improvements to IPSAS, 2021*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 80, *Improvements to IPSAS, 2021*. Our responses to the ED as well as other comments are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

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Yours sincerely,

Abdullah Al Mehthil

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The Ministry of Finance

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Appendix 1 – Comments on ED 80, *Improvements to IPSAS, 2021*

We broadly agree with the proposed improvements in ED 80. We encourage the IPSASB, however, to extend the comment period to allow more time for stakeholders to review and provide input on the proposed amendments to IPSAS 29 and IPSAS 41.

We do have suggestions for improvements elsewhere in the IPSASs, which are presented below for the IPSASB consideration:

IPSAS	Suggestions for alternative wording (where applicable)	Comment
IPSAS 1		
38. When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.	38. When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or ~~if~~ <u>unless</u> there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.	Editorial correction
IPSAS 3		
1. The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the (a) accounting treatment and disclosure of changes in accounting policies, (b) changes in accounting estimates, and (c) the corrections	1. The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the ~~(a)~~ accounting treatment and disclosure of <u>(a)</u> changes in accounting policies, (b) changes in accounting	Editorial corrections

IPSAS	Suggestions for alternative wording (where applicable)	Comment
of errors. This Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.	estimates, and (c) ~~the~~ corrections of errors. This Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.	
IPSAS 12		
34. When applying paragraph 33 an entity shall use the same cost formula for all inventories having similar nature and use to the entity. For inventories with different nature or use (for example, certain commodities used in one segment and the same type of commodities used in another segment), different cost formulas may be justified. A difference in geographical location of inventories (and in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.	34. ~~When applying paragraph 33 an entity shall use the same cost formula for all inventories having similar nature and use to the entity. For inventories with different nature or use (for example, certain commodities used in one segment and the same type of commodities used in another segment), different cost formulas may be justified. A difference in geographical location of inventories (and in the respective tax rules), by itself, is not sufficient to justify the use of different cost formulas.~~ [Deleted]	We suggest reconsidering the applicability of paragraph 34 to the inventories described in paragraphs 32 and 33 for which specific identification of costs is used. In IAS 2, there is no corresponding paragraph to paragraph 34.
37. The FIFO formula assumes that the items of inventory that were purchased first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period, and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.	37. The FIFO formula assumes that the items of inventory that were purchased <u>or produced</u> first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period, and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.	Editorial correction to align with paragraph 27 of IAS 2.
47. The financial statements shall disclose: (a) The accounting policies adopted in measuring inventories, including the cost formula used; (b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;	47. The financial statements shall disclose: (a) The accounting policies adopted in measuring inventories, including the cost formula used; (b) The total carrying amount of inventories and the carrying amount	Editorial corrections

IPSAS	Suggestions for alternative wording (where applicable)	Comment
(c) The carrying amount of inventories carried at fair value less costs to sell; (d) The amount of inventories recognized as an expense during the period; (e) The amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph 42; (f) The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period in accordance with paragraph 42; (g) The circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 42; and (h) The carrying amount of inventories pledged as security for liabilities.	in classifications appropriate to the entity; (c) The carrying amount of inventories carried at fair value less costs to sell; (d) The amount of inventories recognized as an expense during the period; (e) The amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph ~~42~~ 44; (f) The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period in accordance with paragraph ~~42~~ 44; (g) The circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph ~~42~~ 44; and (h) The carrying amount of inventories pledged as security for liabilities.	
IPSAS 17		
60. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each such part. For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges, and lighting within a road system. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease. Similarly, if an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favorable or unfavorable lease terms relative to market terms.		We suggest adding guidance to clarify the underlined text, including clarifying whether "lease terms" refer to rent rates or the duration of the leases and adding examples illustrating how the requirement can be implemented.
IPSAS 20		

IPSAS	Suggestions for alternative wording (where applicable)	Comment
27. In respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the reporting entity shall disclose: a. The nature of the related party relationships; b. The types of transactions that have occurred; and c. The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and faithfully representative information for decision making and accountability purposes.	27. In respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the reporting entity shall disclose: a. The nature of the related party relationships; b. The types of transactions that have occurred; and c. The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient <u>detail</u> to enable the financial statements to provide relevant and faithfully representative information for decision making and accountability purposes.	Editorial correction
IPSAS 18		
4. This standard shall be applied in complete sets of published financial statements that comply with IPSASs.	4. This standard shall be applied in complete sets of ~~published~~ financial statements that comply with IPSASs.	Some public sector entities that are required to report under IPSASs internally and to other levels of the government do not apply IPSAS 18, citing this paragraph as grounds for not doing so. They argue that since their financial statements are not made publicly available they need not apply IPSAS 18. We, therefore, suggest the word "published" be deleted.
IPSAS 19		
107. The disclosure requirements in paragraph 105 encompass contingent assets from both exchange and non-exchange transactions. Whether a contingent asset exists in relation to taxation revenues rests on	107. The disclosure requirements in paragraph 105 encompass contingent assets from both exchange and non-exchange transactions. Whether a contingent asset exists in relation to	Editorial correction

IPSAS	Suggestions for alternative wording (where applicable)	Comment
the interpretation of what constitutes a taxable event. The determination of the taxable event for taxation revenue and its possible implications for the disclosure of contingent assets related to taxation revenues are to be dealt with as a part of a separate project on non-exchange revenue.	taxation revenues rests on the interpretation of what constitutes a taxable event. The determination of the taxable event for taxation revenue and its possible implications for the disclosure of contingent assets related to taxation revenues are ~~to be~~ dealt with ~~as a part of a separate project on non-exchange revenue~~ under IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.	
IPSAS 21		
20. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases, it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that this Standard is applicable rather than IPSAS 26. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets, and with the related guidance in paragraphs 16–20. Paragraph 73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.	20. In some cases, it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases, it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether the extent to which the asset generates cash flows is so significant that ~~this Standard~~ IPSAS 26 is applicable rather than ~~IPSAS 26~~ this Standard. Judgment is needed to determine which Standard to apply. An entity develops criteria so that it can exercise that judgment consistently in accordance with the definition of cash-generating assets and non-cash-generating assets, and with the related guidance in paragraphs 16–20. Paragraph 73A requires an entity to disclose the criteria used in making this judgment. However, given the overall objectives of most public sector entities the presumption is that assets are non-cash-generating and, therefore, IPSAS 21 will apply.	Editorial corrections
39A. Paragraph 26A requires an intangible asset with an indefinite useful life to be tested for impairment annually by comparing its carrying amount with its recoverable service amount, irrespective of whether there is any indication that it may be impaired. However, the most recent detailed calculation of such an asset's recoverable service amount made	39A. Paragraph 26A requires an intangible asset with an indefinite useful life to be tested for impairment annually by comparing its carrying amount with its recoverable service amount, irrespective of whether there is any indication that it may be impaired. However, the most recent detailed calculation of such an	Editorial correction

IPSAS	Suggestions for alternative wording (where applicable)	Comment
in a preceding period may be used in the impairment test for that asset in the current period, provided all of the following criteria are met: a. If the intangible asset does not provide service potential from continuing use that is largely independent of those from other assets or groups of assets and is therefore tested for impairment as part of the cash-generating unit to which it belongs, the assets and liabilities making up that unit have not changed significantly since the most recent recoverable amount calculation;	asset's recoverable service amount made in a preceding period may be used in the impairment test for that asset in the current period, provided all of the following criteria are met: a. If the intangible asset does not provide service potential from continuing use that is largely independent of those from other assets or groups of assets and is therefore tested for impairment as part of the ~~cash-generating~~ unit to which it belongs, the assets and liabilities making up that unit have not changed significantly since the most recent recoverable amount calculation;	
IPSAS 29 (as applicable prior to the adoption of IPSAS 41)		
2. This Standard shall be applied by all entities to all types of financial instruments, except: (k) Rights and obligations under service concession arrangements to which IPSAS 32, *Service Concession Assets: Grantor* applies. However, financial liabilities recognized by a grantor under the financial liability model are subject to the derecognition provisions of this Standard (see paragraphs 41– 44 and Appendix A paragraphs AG72–AG80).	2. This Standard shall be applied by all entities to all types of financial instruments, except: (k) Rights and obligations under service concession arrangements to which IPSAS 32, *Service Concession ~~Assets~~ <u>Arrangements</u>: Grantor* applies. However, financial liabilities recognized by a grantor under the financial liability model are subject to the derecognition provisions of this Standard (see paragraphs 41– 44 and Appendix A paragraphs AG72–AG80).	Editorial correction
IPSAS 33		
24. This IPSAS prohibits retrospective application of some aspects of accrual basis IPSASs. A first-time adopter may receive information after the date of adoption of IPSASs about estimates that it had made under its previous basis of accounting. In accordance with paragraph 23, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IPSAS 14, *Events after the Reporting Period.*	24. This IPSAS prohibits retrospective application of some aspects of accrual basis IPSASs. A first-time adopter may receive information after the date of adoption of IPSASs about estimates that it had made under its previous basis of accounting. In accordance with paragraph 23, a first-time adopter shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IPSAS 14, *Events after the Reporting ~~Period~~ <u>Date</u>.*	Editorial correction

IPSAS	Suggestions for alternative wording (where applicable)	Comment
55. Subject to paragraph 53, a first-time adopter shall present consolidated financial statements following the adoption of accrual basis IPSASs. A first-time adopter presenting consolidated financial statements is, however, not required to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of IPSASs.	55. Subject to paragraph 53, a first-time adopter shall present consolidated financial statements following the adoption of accrual basis IPSASs. A first-time adopter presenting ~~consolidated~~ financial statements <u>of the economic entity</u> is, however, not required to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of IPSASs.	To eliminate potential conflict with paragraph 58
62. Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 59, it shall not present financial statements in which investments in associates or joint ventures are accounted for using the equity method until: a. The exemptions that provided the relief have expired; and b. The interest in other entities have been appropriately recognized and/or measured as an associate or joint venture; or c. Its share in the associate's surplus and deficit resulting from upstream and downstream transactions between the investor and the investee are eliminated (whichever is earlier).	62. Where a first-time adopter has taken advantage of the transitional exemption in paragraph 53 and/or paragraph 59, it shall not present financial statements <u>as financial statements</u> in which investments in associates or joint ventures are accounted for using the equity method until: a. The exemptions that provided the relief have expired; and b. The interest in other entities have been appropriately recognized and/or measured as an associate or joint venture; or c. Its share in the associate's surplus and deficit resulting from upstream and downstream transactions between the investor and the investee are eliminated (whichever is earlier).	To eliminate potential conflict with paragraph 59
IPSAS 41		
25. If a social benefit scheme satisfies the criteria in paragraph 28 to permit the use of the insurance approach, a statement to that effect.	25. If a social benefit scheme satisfies the criteria in paragraph 28 to permit the use of the insurance approach, <u>the entity shall disclose</u> a statement to that effect.	Editorial correction
31. To meet the requirements of paragraph 30(c) of this Standard, an entity shall disclose: …		There are no requirements in paragraph 30(c). In fact, paragraph 30(c) refers to the requirements in paragraph 31.