

**(NBAA)**

**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**

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Date: 25<sup>th</sup> October, 2018

Chief Executive Officer,  
International Federation of Accountants,  
International Public Sector Accounting Standard Board,  
529 5th Avenue  
New York, New York 10017.

Dear Sir/Madam

**RE: COMMENTS ON EXPOSURE DRAFT 66 – LONG TERM INTEREST IN ASSOCIATES AND JOINT VENTURES (AMENDMENT TO IPSAS 36) AND PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENT TO IPSAS 41).**

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Exposure Draft no. 66 on amendment of IPSAS 36 and IPSAS 41.

In principle, we are supportive of all the requirements in the Exposure Draft. However, after going through it we came up with the following critical insights which we think can add value in the process of adopting the amendments as recommended by this exposure draft.

#### **COMMENTS ON AMENDMENT TO IPSAS 36**

**1: Para. 51I: the word “as appropriate” is not consistent with IPSAS 3 and IPSAS 36.**

We suggest that the cumulative effect as a result of the retrospective application of the amendment should only be recognized in the opening accumulated surplus or deficit. This is in compliance with Paragraph 16 of IPSAS 36 as the equity method suggest that any increase or decrease in the value of the interest in associate or joint venture should be

recognized direct in surplus or deficit. Therefore allowing the cumulative effect to be recognized in opening balances other than the accumulated surplus or deficit will impair the purpose of the retrospective application which is merely the promotion of comparability aspect.

**Our suggestion:**

The effect of applying the retrospective application of the amendment should strictly be recognized in the opening balance of the accumulated surplus or deficit.

**2: Paragraph BC20 in the Basis for Conclusion**

The reason for adopting the amendment as provided in this paragraph is not that much professional, it is fallacy basis of conclusion, you cannot say that aim not going to office tomorrow only because there is no specific reason for me to go to the office, likewise, you cannot say that there is no public sector specific reason for not adopting the amendment. This does not provide a clear reason for adopting the amendment.

**Our suggestion**

We recommend the rewording of paragraph BC20 be as follows:-

“Interest in associates and joint venture is not strictly restricted to short term period of time but rather cater for longer and shorter period, therefore adopting the amendment leads to public sector financial reporting value addition in respect of interest in associates and joint venture.”

**COMMENTS ON AMMENDMENT OF IPSAS 41**

**Paragraph 72 in the application guidance:**

- 1: It is not the financial asset itself that contains the said contractual terms but rather the contract that led to the existence of the said financial asset.

**Our recommendation:**

The paragraph should start reading as “**If the contract giving rise to a financial assets contains.....**” instead of “**If a financial asset contains a contractual term.....**”

- 1: The paragraph does not talk anything about direct attributable costs that could be incurred related to the implementation of the contractual terms that could change the timing or amount of contractual cash flows.

**Our recommendation:**

In our view, we think the implementation should as well give explanation of the treatment of attributable costs which shall be incurred in the implementation of the contractual term that could change the timing or amount of contractual cash flows.

We trust that our comments are of assistance to you. If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,



P. A. Maneno  
**EXECUTIVE DIRECTOR**