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15 January 2016

Dear Sir/Madam

**COMMENT ON EXPOSURE DRAFT 58: IMPROVEMENTS TO IPSASs 2015**

***The Technical Director***

International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 Canada

We welcome the opportunity to comment on Exposure Draft 58: *Improvements to IPSASs 2015*.

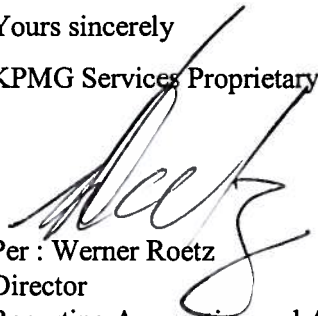
Overall, we are supportive of the IPSASB's proposed improvements to IPSASs. Minor issues were however identified in some of the Parts. These issues, along with our proposals, are reflected in the responses for comment.

Responses to each Part for Comment are set out in the Appendix to this letter.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

KPMG Services Proprietary Limited



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The company's principal place of business is at KPMG Crescent,  
85 Empire Road, Parktown, where a list of the directors' names is  
available for inspection.

KPMG Services Proprietary Limited is a company incorporated  
under the South African Companies Act and a member firm of the  
KPMG network of independent member firms affiliated with KPMG  
International Cooperative ("KPMG international"), a Swiss entity.

KPMG Services Proprietary Limited is not a Registered Auditor  
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provide audit services as defined in Section 1 of this Act.

Registration number 1999/012876/07

## APPENDIX

### Responses to each Part for comment

#### Part I – Conceptual Framework Improvements to IPSASs

- Consequential amendments related to Chapters 1–4 of the *Conceptual Framework for Financial Reporting in the Public Sector*. These relate to the Qualitative Characteristics, accounting policies and the hierarchy of sources used in the selection and application of accounting policies.
- The *Conceptual Framework* adopted “faithful representation” as a qualitative characteristic, rather than “reliability”. The IPSASB decided not to make piecemeal changes to recognition criteria and guidance on measurement before considering changes to IPSASs arising from Chapter 5, Elements and Chapter 6, Recognition of the Conceptual Framework. Therefore an explanation of the term “reliability” will be included in a footnote on the first usage of “reliably” or “reliable” in IPSASs containing requirements on recognition or aspects of measurement uncertainty.

We agree with the proposed changes.

#### Part II - General Improvements to IPSASs

- Amendments to remove references to the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations.
- Amendments to clarify the inconsistency between IPSAS 32 and IPSAS 17, *Property, Plant, and Equipment*, over dissimilar assets being accounted for as a class of assets.

We agree with the proposed changes *except for the following*:

- **Part II-1b** IPSAS 19.6: Guidance on information to be disclosed for discontinued operations to be provided since reference to IFRS 5 has been removed. This paragraph is vague as to what will be useful to disclose to the users of the financial statements.

#### Part III - Government Finance Statistics Improvements to IPSASs

- Amendments to replace the term “ammunition” with Government Finance Statistics term “military inventories” and include a description.
- Amendments to replace the term “specialist military equipment” with Government Finance Statistics term “weapons systems” and include a description.

We agree with the proposed changes.

#### Part IV – IASB Improvements to IPSASs

- **Amendments to define a bearer plant and include bearer plants within the scope of IPSAS 17. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agriculture produce, except for incidental scrap sales. Previously, bearer plants were not defined and bearer plants related to agriculture were included within the scope of IPSAS 27. Bearer plants meet the definition of property, plant, and equipment in IPSAS 17 and their operation is similar to that of manufacturing. Accordingly, the amendments require bearer plants to be included within the scope of IPSAS 17, instead of IPSAS 27. The produce growing on bearer plants will remain within the scope of IPSAS 27.**

We agree with the proposed changes *except for the following:*

- **Part IV-1a IPSAS 17:** We acknowledge that the IPSASB intends to align its standards to those of the IASB. However, including “bearer plant” in the scope of IPSAS 17 defeats the point of having a separate standard for biological assets. Although “bearer plant” was not previously defined, it does not deter it from being a “living” thing and thus fall within the scope of IPSAS 27.

Further, it is not ideal or feasible to include the supposed “bearer plants” in the table for biological assets under IPSAS 27 and to account for them on the cost model using IPSAS 17, a standard for non-living tangible items.

We propose that an additional section be included in IPSAS 27 where measurement and recognition for “bearer plant” is discussed and guidance provided, rather than include it in IPSAS 17. Although “bearer plant” meets the definition of “property, plant and equipment”, IPSAS 27 was created to account for such biological assets.

- **Part IV-1a IPSAS 16.6:** Following from the above, the proposed inclusion of the reference to IPSAS 17 should not be made.



**Other comments**

**We also noticed inconsistencies in the Exposure Draft. These are highlighted below:**

1. Inconsistencies in the amendments to wording in IPSAS 3.13 “financial statements provide information that meets **a number of** the qualitative characteristics” (**Page 13**) **AND** IPSAS 24.26 “financial statements to provide information that meets **a number of** qualitative characteristics” (**Page 22**).
2. IPSAS 3.15 is inconsistent with IPSAS 3.12 and .14 in the use of “management” and “preparers”. Management makes judgment in developing and applying accounting policies and thus “management” should also consider the requirements of .15 (**Page 13**).
3. IPSAS 32.32(c)(iii) should read “service concession **assets arrangements** recognized as assets” (**Page 55**).

