



KPMG Services Proprietary Limited
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13 July 2018

Dear Sir/Madam

COMMENT ON EXPOSURE DRAFT 65: IMPROVEMENTS TO IPSAS, 2018

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 the Exposure Draft 65: *Improvements to IPSAS, 2018*.

The objective of this Exposure Draft is to propose improvements to IPSAS in order to address issues raised by stakeholders and to converge with amendments to International Financial Reporting Standards.

Overall, we are supportive of the proposed improvements in the IPSASB's Exposure draft: *Improvements to IPSAS, 2018*. Our responses to the proposed improvements are listed below.

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

Yours sincerely

KPMG Services Proprietary Limited


Per: Werner Roetz

Director

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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 in terms of the Auditing Profession Act, 26 of 2005 and does not provide audit services as defined in Section 1 of this Act.

Registration number 1999/012876/07

Chief Executive: N Diomu
Directors: Full list on website

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.

Part I

Part I-1a - Amendment to IPSAS 10, *Financial Reporting in Hyperinflationary Economies*

We agree with the proposed amendments.

Part I-1b – Amendments to IPSAS 22, *Disclosure of Financial Information about the General Government Sector*

We agree with the proposed amendments.

Part I-1c – Amendments to IPSAS 24, *Presentation of Budget Information in Financial Statements*

We agree with the proposed amendments.

Part I-2 – Amendments to IPSAS 16, *Investment Property*

We agree with the proposed amendments.

Part I-3a – Amendments to IPSAS 16, *Investment property*

We agree with the proposed amendment, but note the following:

Paragraph 97(a) encourages, but does not require, restatement of comparative information if the entity has previously disclosed publicly the fair value of its investment property. Paragraph 97(b) states that an entity that has not previously disclosed publicly the fair value of its investment property, shall not restate comparative information and shall disclose that fact. We suggest that paragraph 97(a) should also require an entity to disclose the fact that it has not restated its comparative information, should it elect not to do so.

Part I-3b – Amendments to IPSAS 17, *Property, Plant and Equipment*

We agree with the amendment following the deletion of transitional provisions to which paragraph 106 previously referred, however we note the following:
Per the Table of Amended Paragraphs in IPSAS 17, the transitional provisions in paragraphs 95 to 104 are overridden by IPSAS 33. As such, the five year transitional period included in paragraph 106 is only available to entities with a date of initial application before IPSAS 33 became effective. Entities that first applied IPSAS after IPSAS 33 became effective, or who early adopted IPSAS 33, must use the transition options available in IPSAS 33. This is not clear from paragraph 106 and may be



interpreted to mean that the 5 year transition period is still available to entities with a date of initial adoption after IPSAS 33 became effective.

Part I-4 – Amendments to IPSAS 31, *Intangible Assets*

We agree with the proposed amendments.

Part I-5 – Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

We agree with the proposed amendments. We propose that the IPSASB re-words paragraph 142(b) as it refers to an opening balance of surplus or deficit, as follows: A reconciliation of its surplus or deficit in accordance with its previous basis of accounting for the latest period presented in the entity's most recent financial statements to its opening balance of surplus or deficit in accordance with IPSAS for the same period.

Part I-6 – Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

We agree with the proposed amendments.

Part I-7 – Amendments to IPSAS 34, *Separate Financial Statements*

We agree with the proposed amendments.

Part II

Part II-1 – Amendments to IPSAS 16, *Investment Property*

A new heading has been added to replace the old headings for paragraph 8 and 9. The new heading refers to classification of property as investment property or owner-occupied property. Paragraphs 8 and 9 refer only to investment property. If it is the IPSASB's intention that a property interest held by a lessee under an operating lease that does not meet the requirements to be accounted for as investment property, should be accounted for as owner-occupied property, that fact should be stated clearly. The term "owner-occupied property" creates the impression that the property should be accounted for in terms of IPSAS 17, yet the property interest is held under an operating lease and should be accounted for in terms of IPSAS 13. We recommend that the IPSASB reconsiders the appropriateness of the new heading.

Part II-2 – Amendments to IPSAS 2, *Cash Flow Statements*

We agree with the proposed amendments, however we suggest that the IPSASB considers the relevance of the additional information to the users of financial statements in the public sector, the availability of the information and the costs that entities would need to incur to obtain and record the required information. If the additional disclosures are aimed specifically at investors, it may not be relevant to entities that do not rely on external funding.

Part II-3 – Amendments to IPSAS 16, *Investment Property*

We agree with the proposed amendments, but note the following:
Paragraph 66(a) has been amended to include "development with a view to owner-occupation" as evidence of a change in use. We recommend that paragraph 66(c) should similarly include "development with a view to use as investment property" as evidence of a change in use.

Part II-4 – Amendments to IPSAS 36, *Investments in Associates and Joint Ventures*

We agree with the proposed amendments.

Part II-5a – Amendments to IPSAS 4, *The effects of Changes in Foreign Exchange Rates*

We agree with the proposed amendments.

Part II-5b – Amendments to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*

We agree with the proposed amendments.

Part II-6 – Amendments to IPSAS 37, *Joint Arrangements*

We agree with the proposed amendments.

Part II-7 – Amendments to IPSAS 40, *Public Sector Combinations*

We agree with the proposed amendments.

Part II-8 – Amendments to IPSAS 5, *Borrowing Costs*

We agree with the proposed amendments.

Part II-9 – Amendments to IPSAS 39, *Employee Benefits*

We agree with the proposed amendments.