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**CANADA**

### **EXPOSURE DRAFT 73: COVID-19: DEFERRAL OF EFFECTIVE DATES**

The Public Sector Accounting Standards Board (PSASB), Kenya was established by the Public Finance Management Act (PFM) No.18 of 2012. The Board was gazette by the Cabinet Secretary, National Treasury on 28<sup>th</sup> February 2014.

The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public sector entities in Kenya. It is also mandated to prescribe procedures to guide internal audit and risk management, procedures which must comply with the Public Finance Management Act, 2012.

In relation to the ED 73, COVID-19: Deferral of Effective Dates, PSASB-Kenya acknowledges the challenges posed by COVID-19 may affect the constituents' preparedness to implement IPSAS's new pronouncements which had an initial effective date of 1<sup>st</sup> January 2022. PSASB is pleased to provide its comments to the proposal to defer the effective dates in respect of specifically IPSAS 41 – Financial Instruments and IPSAS 42 – Social Benefits as well as the other published amendments and improvements to the various IPSAS.

PSASB Kenya response is documented in the attachment for your consideration.

With kind regards,

**CPA FREDRICK RIAGA**  
**CHIEF EXECUTIVE OFFICER**  
**PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

# PSASB- KENYA RESPONSE TO EXPOSURE DRAFT 73: COVID-19: DEFERRAL OF EFFECTIVE DATES

## 1 – AMENDMENTS TO IPSAS 41, FINANCIAL INSTRUMENTS

An entity shall apply this Standard for annual periods beginning on or after January 1, **2023**. Earlier application is permitted. If an entity elects to apply this Standard early, it must disclose that fact and apply all of the requirements in this Standard at the same time (but see also paragraph 179). It shall also, at the same time, apply the amendments in Appendix D.

*PSASB **does not agree** with the proposed amendments. PSASB is of the view that IPSAS 41 should be implemented as from January 1, 2022. Apart from being a health crisis, COVID-19 presents significant economic challenges to countries, businesses and individuals. IFRS 9, from which IPSAS 41 is premised was necessitated by the 2008 global financial crisis. Economic challenges posed by effects of COVID-19 may spill over to the coming years. This may therefore call for a need to implement the standard as at 1<sup>st</sup> January 2022 in order for entities to present relevant financial information especially on the timing and uncertainty of an entity's future cash flows and use the collected data on impairment models during the pandemic period to make realistic models going into the future. COVID- 19 poses such a scenario in which the IPSAS 41 could cure weaknesses noted in IPSAS 29.*

## 2– AMENDMENTS TO IPSAS 42, SOCIAL BENEFITS

An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2023. Earlier adoption is encouraged. If an entity applies this Standard for a period beginning before January 1, 2023, it shall disclose that fact.

*PSASB **agrees** with the proposed amendments specifically deferring the implementation date of IPSAS 42 from January 1, 2022 to January 1, 2023 and subsequent amendments to the other related/ affected IPSAS.*

## 3-AMENDMENTS TO LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES (AMENDMENTS TO IPSAS 36) AND PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENTS TO IPSAS 41)

Paragraph 20A was added and paragraph 44 deleted by Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41), issued in January 2019. An entity shall apply these amendments retrospectively in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors, for annual financial statements covering periods beginning on or after January 1, 2023, except as specified in paragraphs 51G– 51I. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2023, it shall disclose that fact and apply IPSAS 41 at the same time.



## **PSASB- KENYA RESPONSE TO EXPOSURE DRAFT 73: COVID-19: DEFERRAL OF EFFECTIVE DATES**

*PSASB **does not agree** with the proposed amendments specifically deferring the implementation date of amendments to IPSAS 41 from January 1, 2022 to January 1,2023 and subsequent amendments to the other related/ affected IPSAS. This is in line with the comments stated under the proposed deferral of IPSAS 41 above.*

### **4 – AMENDMENTS TO COLLECTIVE AND INDIVIDUAL SERVICES (AMENDMENTS TO IPSAS 19)**

Paragraphs 6A and AG1–AG20 were added and paragraph 18 was amended by Collective and Individual Services (Amendments to IPSAS 19), issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2023. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2023 it shall disclose that fact and apply IPSAS 42, Social Benefits, at the same time.

*PSASB **agrees** with the proposed amendments specifically deferring the implementation date from January 1, 2022 to January 1,2023 and subsequent amendments to the other related/ affected IPSAS*

### **5 – AMENDMENTS TO IMPROVEMENTS TO IPSAS, 2019**

#### **Amendment: Part 1a**

#### **Amendments to IPSAS 5, Borrowing Costs**

Paragraph 6 was amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2023, it shall disclose that fact and apply IPSAS 41 at the same time.

*PSASB **agrees** with the proposed amendments specifically deferring the implementation date from January 1, 2022 to January 1,2023.*

#### **Amendment: Part 1c**

#### **Amendments to IPSAS 30, Financial Instruments: Disclosures**

Paragraph AG5 was amended by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, 2023, it shall disclose that fact and apply IPSAS 41 at the same time.

## **PSASB- KENYA RESPONSE TO EXPOSURE DRAFT 73: COVID-19: DEFERRAL OF EFFECTIVE DATES**

*PSASB **agrees** with the proposed amendments specifically deferring the implementation date from January 1, 2022 to January 1,2023.*

### **Amendment: Part 1d**

#### **Amendments to IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)**

Paragraph 113 was amended, paragraph 113A was added and paragraph 114 was deleted by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is permitted. If an entity applies these amendments for a period beginning before January 1, 2023, it shall disclose that fact and apply IPSAS 41 at the same time.
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*PSASB **agrees** with the proposed amendments specifically deferring the implementation date from January 1, 2022 to January 1,2023.*