



**COMMENTS ON EXPOSURE DRAFT 81:  
PROPOSED CHANGES TO CONCEPTUAL FRAMEWORK**

The Institute of Chartered Accountants of Zimbabwe (ICAZ) is the longest established and the largest Zimbabwean professional accountancy organization. It was set up on 11 January 1918 and it now a statutory body incorporated in terms of the Chartered Accountants Act [Chapter 27:02]. ICAZ is a member of IFAC, PAAB, PAFA and CAW

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## **1. GENERAL COMMENT**

The Institute commends and appreciates the International Public Sector Accounting Standards Board (IPSASB)'s project of revising the Conceptual Framework in certain areas. We believe this review will lead to the production of a more robust Conceptual framework which in turn will assist the IPSASB in developing high quality Accounting Standards. The Institute is in general agreement with all recommendation made in the Exposure Draft with a request for the inclusion of more illustrative examples and guidance for issues subject to range of interpretation, for example the issues relating to Prudence and the Obscuring of Information.

## **2. SPECIFIC COMMENTS**

### **2.1 Specific Matter for Comment 1: Prudence**

*In paragraphs 3.14A and 3.14B, the IPSASB has provided guidance on the role of prudence in supporting neutrality, in the context of the qualitative characteristic of faithful representation. Paragraphs BC3.17A- BC3.17E explain the reasons for this guidance. Do you agree with this approach?*

*If not, why not? How would you modify these paragraphs?*

#### **ICAZ Response**

The Institute supports the description of prudence included in Paragraph 3.14A. The paragraph highlights clearly the role prudence plays in ensuring General Purpose Financial Reports (GPFs) are neutral. We believe the re-introduction of the concept of prudence in the preparation of GPFs assists in producing financial information that is relevant and reliable.

Because the concept of prudence can be utilized by Preparers to be overly conservative we are also in agreement with the further clarity that Prudence in itself does not imply a need for asymmetry i.e. a lower threshold for the recognition of liabilities and losses than for assets and gains.

## **2.2 Specific Matter for Comment 2: Obscuring Information as a Factor Relevant to Materiality Judgments**

*In discussing materiality in paragraph 3.32 the IPSASB has added obscuring information to misstating or omitting information as factors relevant to materiality judgments. The reasons for this addition are in paragraphs BC3.32A and BC3.32B.*

*Do you agree with the addition of obscuring information to factors relevant to materiality judgments? If not, why not?*

### **ICAZ Response**

We are in general agreement with the inclusion of “obscuring information” as a factor relevant to materiality judgements. It is our shared view that the obscuring of information may have a similar effect to omitting information by the users of financial statements.

The Institute however notes that the determination of whether information has been obscured or not allow for a significant amount of judgement. In order to reduce this amount of judgement, it is our proposal that the Board include additional guidance on what constitutes “obscuring of information”. This will ensure that minimal judgement is utilized. It is our view that “obscuring information” should include the following (as articulated in the IASB Conceptual framework)

- Utilization of unclear or vague language
- Disaggregation of similar information
- Aggregation of similar items

## **2.3 Specific Matter for Comment 3: Rights-Based Approach to a Resource**

*Paragraphs 5.7A-5.7G reflect a rights-based approach to the description of resources in the context of an asset. The reasons for this approach are in paragraphs BC5.3A-BC5.3F.*

*Do you agree with this proposed change? If not, why not?*

## **ICAZ Response**

The Institute welcomes and agrees to the rights based approach to the description of resources of an asset.

### **2.4 Specific Matter for Comment 4: Definition of a Liability**

*The revised definition of a liability is in paragraph 5.14:*

*A present obligation of the entity to transfer resources as a result of past events.*

*The reasons for the revised definition are in paragraphs 5.18A-5.18H.*

*Do you agree with the revised definition? If you do not agree with the revised definition, what definition do you support and why?*

## **ICAZ Response**

The Institute agrees with the review of the definition of a liability to remove “outflow of resources”. It is the Institute’s view that the definition of a liability should be inclined to the obligation arising rather than on the outflow of economic benefits. Furthermore, we agree with the fact that having “outflow of resources” in the definition tends to create an expectation of the outflow to occur thus impacting recognition.

### **2.5 Specific Matter for Comment 5: Guidance on the Transfer of Resources**

*The IPSASB has included guidance on the transfer of resources in paragraphs 5.16A-5.16F of the section on Liabilities. The reasons for including this guidance are in paragraphs BC5.19A-BC5.19D.*

*Do you agree with this guidance? If not, how would you modify it?*

## **ICAZ Response**

The Institute is in agreement with the guidance provided on the transfer of resources. This guidance is in line with the IASB Conceptual Framework guidance.

## **2.6 Specific Matter for Comment 6: Revised Structure of Guidance on Liabilities**

*In addition to including guidance on the transfer of resources, the IPSASB has restructured the guidance on liabilities so that it aligns better with the revised definition of a liability. This guidance is in paragraphs 5.14A-5.17D. Paragraph BC5.18H explains the reasons for this restructuring.*

*Do you agree with this restructuring? If not, how would you modify it?*

### **ICAZ Response**

The Institute agrees with the new sequencing of the guidance on liabilities and does not propose any changes therein.

## **2.7 Specific Matter for Comment 7: Unit of Account**

*The IPSASB has added a section of Unit of Account in paragraphs 5.26A-5.26J. The reasons for proposing this section are in paragraphs BC5.36A-BC5.36C.*

*Do you agree with the addition of a section on Unit of Account and its content? If not, how would you modify it and why?*

### **ICAZ Response**

The Institute is in agreement with the addition of a discussion of a “unit of account” in the Conceptual framework rather than leaving it at standard level.

## **2.8 Specific Matter for Comment 8: Accounting Principles for Binding Arrangements that are Equally Unperformed**

The IPSASB took the view that guidance on accounting principles for binding arrangements that are equally unperformed should be included in the Conceptual Framework, but that a separate section on accounting principles for such binding arrangements is unnecessary. These principles are included in paragraphs 5.26G-5.26H of the section on Unit of Account. The explanation is at paragraphs BC5.36D-BC5.36F.

Do you agree that:

- (a) Guidance on principles for binding arrangements that are equally unperformed is necessary; and if so
- (b) Such guidance should be included in the Unit of Account section, rather than in a separate section? If you do not agree, please give your reasons.

### **ICAZ Response**

The Institute agrees with both the inclusion and placement of guidance on binding arrangements. The Institute believes that judgment should be minimised in applying accounting standards and as such fully agrees with the inclusion of this guidance.

### **3. CONTACT**

This paper was prepared by the ICAZ Secretariat Technical Department, under the review of the ICAZ Public Sector Task Force. The Technical team can be contacted via email address [technical@icaz.org.zw](mailto:technical@icaz.org.zw).