



PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS: AMENDMENTS TO IPSAS 41, FINANCIAL INSTRUMENTS

Issued 19 December 2019

ICAEW welcomes the opportunity to comment on the consultations on *Public Sector Specific Financial Instruments: Amendments to IPSAS 41* published by the International Public Sector Accounting Standards Board (IPSASB) in August 2019, a copy of which is available from this [link](#).

ICAEW supports IPSASB's initiative to include guidance for instruments that are specific to the public sector. These include monetary gold, Special Drawing Rights, currency in circulation and International Monetary Fund (IMF) quota subscriptions. We agree that guidance should be added to the existing financial instruments standard – IPSAS 41.

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KEY POINTS

1. We support IPSASB's decision to expand the current financial instruments standard (IPSAS 41) to include public sector specific financial instruments. This project fits in well with IPSASB's broader strategy of focusing on public sector specific accounting issues and should help to increase the attractiveness of adopting IPSASs as coverage increases.
2. For reasons highlighted below in paragraph five, we recommend that the instruments included in the public sector specific financial instruments project be included in the Application Guidance (which is integral to the Standard) so that the guidance is authoritative.
3. We would like to point out that this project has taken quite a while to develop guidance. The project started in June 2015 and the final pronouncement is not due until September 2020. In future we hope that it will be easier for the IPSASB to progress projects on a more timely basis in order to meet stakeholder demands.

ANSWERS TO QUESTIONS

Specific Matter for Comment 1:

Do you agree with the proposed amendments to IPSAS 41, Financial Instruments?

If not, what changes would you make to the proposals?

4. Whilst we support the inclusion of guidance on these types of public sector specific instruments we do not support guidance being placed solely in the non-authoritative section of the standard.
5. We recommend that these types of public sector specific instruments should be in the Application Guidance, given the importance of these types of instruments to the public sector and that the two public sector specific instruments already addressed—concessionary loans and financial guarantee contracts issued through non-exchange transactions—are located in the Application Guidance (which is integral to the Standard) in IPSAS 41. Moreover, the proposed accounting requirements provide clear, understandable and enforceable guidance that is consistent with the principles in the core standard. Limiting the proposed accounting requirements to non-authoritative guidance may result in the guidance being omitted entirely in jurisdictions that only translate the authoritative elements into their local language and, for those using IPSAS as a reference only, may also only consider the authoritative sections.
6. We also consider that it is inappropriate to omit specific reference to IMF quota subscriptions from the Application Guidance. The only guidance on this type of transaction is currently proposed in Illustrative Example 32, which could easily be missed. Particularly as the proposed change to insert "...or similar international organization" does not even include reference to "IMF quota subscriptions", and it is not obvious which similar organisations exist that would issue quota subscriptions. It is not until reading paragraph BC3E that the reader understands why Illustrative Example 32 is being proposed for change. Proper guidance on IMF quota subscriptions should be included in the Application Guidance similarly to the other public sector specific instruments would allow for better signposting to the relevant example.
7. The 2016 consultation proposed definitions for the various types of financial instruments which we thought were helpful. Despite the headings in the implementation guidance referring to definitions, we note that the instruments themselves are not defined. Account preparers may find it useful if a reference to the relevant statistical manuals, such as Balance of Payments and International Investment Position Manual – Sixth Edition (BPM6), as they contain the definitions.