
**EXPOSURE DRAFT 85
IMPROVEMENTS TO IPSAS, 2023**

*Program and Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th floor
Toronto, Ontario M5V 3H2 CANADA*

Brasília, Brazil
December 18, 2023

Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *Exposure Draft (ED) 85, Improvements to IPSAS, 2023*. CFC, alongside with its regional arms - *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization that carries out regulatory activities for overseeing the accountancy profession throughout the country.

Our points of view and comments can be found on the Appendix of this document that was prepared by the Permanent Committee for Public Sector Accounting Standards linked to Conselho Federal de Contabilidade (CP CASP – acronym in Portuguese).

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,



Ana Tércia Lopes Rodrigues
Technical Vice-President
Conselho Federal de Contabilidade

CONTEXT AND GENERAL COMMENTS

The Conselho Federal de Contabilidade generally agrees with the content presented in this Exposure Draft (ED). However, we understand that the concept of a specific accounting treatment for Concessionary Leases and Right-of-Use Assets In-Kind arises from the nature of the public sector, with the main objective being to recognize, measure, and present the government subsidy component from the lessee's perspective.

In this context, using lease payments at market rates as a basis for measurement, considering the use of the underlying asset, aligns with fair value principles outlined in existing standards.

The Conselho Federal de Contabilidade recognizes that acknowledging the government subsidy from the lessee's perspective in Concessionary Leases is contingent upon reliably measuring the fair value from the market perspective.

In cases where fair value is unavailable, the proposed measurement model based on the present value of the contract payments precludes the recognition of the government subsidy component. Consequently, it does not apply to Concessionary Leases.

Regarding specific questions and comments on this ED, the Conselho Federal de Contabilidade presents its arguments.

Comments on ED 85 – Improvements to IPSAS, 2023

The Conselho Federal de Contabilidade (CFC), through the Permanent Committee for Public Sector Accounting Standards (CP CASP), has reviewed Exposure Draft 85, Improvements to IPSAS, 2023, and provides the following contributions:

In essence, the CFC supports the content of ED 85, particularly in reference to Parts II and III, and offers specific comments on Part I.

Concerning the language proposed in Part I, the CFC observed that the differentiation between current and non-current liabilities should maintain uniform wording throughout the entire ED. For instance, in item 80C, the ED, employing the same language as IPSAS 1, states that "It is due to be settled within twelve months after the reporting date;" however, in various other items, the text differs. Let's examine:

83A. An entity's right to defer settlement of a liability **for at least twelve months after the reporting date** must have substance and, as illustrated in paragraphs 83B–86, must exist at the end of the reporting date. (emphasise and underline)

83B. An entity's right to defer settlement of a liability arising from a loan arrangement **for at least twelve months after the reporting date** may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). (emphasise and underline)

86A. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability **for at least twelve months after the reporting date**. (emphasise and underline)

87B. In applying paragraphs 80–86, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants **within twelve months after the reporting date** (see paragraph 83B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting date, including: (emphasise and underline)

It can be observed that in items 80C and 87B, ED 85 incorporates the expression "within twelve months after the reporting date", while in items 83A, 83B, and 86A, the expression "for at least twelve months after the reporting date" is used. Despite lacking a conceptual difference, the CFC finds it worthwhile to harmonize this text.

Continuing with Part I, the CFC proposes a revision to the text in item 86A, *in verbis*:

86A However, in either of those circumstances, the entity **may need to disclose information about the timing of settlement** to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 29(c) and 87(d)). (emphasise and underline)

The proposed text doesn't enable the standard user to identify whether there is an obligation to disclose, making the application of this item challenging.

On all other aspects, the CFC agrees with ED 85.