Date

9 February 2007

Le Président

Fédération des Experts Comptables Européens IASBL

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Ms Stephanie Fox
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Dear Ms Fox,

Re: IPSASB Exposure Draft 30: Impairment of Cash Generating Assets and IPSASB Exposure Draft 31: Employee Benefits

FEE welcomes the opportunity to comment on exposure drafts 30 and 31. ED 31 proposes public sector accounting requirements for the subjects covered by IAS 19 Employee Benefits. ED 30 proposes public sector accounting requirements mostly equating to international standard IAS 36 Impairment.

The responses to the specific matters for comment are set out in the Annex to this letter.

In respect of ED 31, FEE notes that IAS 19 is being reviewed and would invite IPSASB to consider whether it should delay issuing a standard until the outcome of that review is known.

The comments contained in this letter have been reviewed by the FEE Public Sector Committee.

Yours sincerely,

Jacques Potdevin
President

Encl.

ANNEX

Specific Matters for Comment

IPSASB Exposure Draft 30: Impairment of Cash Generating Assets

Question 1

The Basis for Conclusions (BC3-BC4) repeats the IPSASB view that IPSAS 17 is already sufficiently stringent to avoid materially misstating assets and that it would be onerous to require further impairment testing. As acknowledged in the Basis for Conclusions, this view is not consistent with IAS 36 and it is not clear that there are special public sector considerations which should justify variation from other international accounting standards on this issue, particularly in the case of cash generating assets. A particular example might be the existence of material selling costs associated with a revalued asset.

Question 2

We agree with IPSAS line that there should not be detailed requirements or guidance relating to goodwill

Question 3

We agree that the ED's definition of cash-generating assets is sensible.

Question 4

We are content that the guidance on identifying cash-generating assets is appropriate and sufficiently clear.

Question 5

We agree that a sensible result is achieved in financial statements by applying the proposed guidance on situations where a cash-generating unit is linked to a mainly non-cash-generating asset.

The guidance has the effect of 'ring-fencing' impairment considerations for non-cash-generating assets, so that all non-cash generating assets are treated similarly, while noting that these assets may contribute to cash-generating activities.

Question 6

We agree with the IPSAS line that there is no need to include a definition of, and requirements and guidance related to, "corporate assets".

IPSASB Exposure Draft 31: Employee Benefits

Question 1

We agree with the Standard's inclusion of short-term employee benefits. This facilitates read across to IAS 19, and does not make the IPSAS significantly more complex. There are no sector specific reasons for adopting a different approach.

Question 2

The definition of composite social security programs in paragraph 10 appears a sensible basis for discussion of when related streams of payments should be disaggregated into employee benefits and other payments.

Question 3

The accounting requirements for composite social security programs seem sensible. The approach appears, prima facie, to account for as employee benefits those items which have the specific characteristic of compensation in consideration of employment.

Question 4

The approach to the risk-free discount rate is similar in principle to the approach in IAS 19, but suggests that government bond rates should be used before corporate bond rates, except where government bonds do not give the best representation of a risk-free rate. The government bond rate would normally be expected to give a better indication of the time value of money for the public sector, (rather than the corporate bond rate, which would normally be expected to give a better view in the commercial sector). However, we note that there remains an argument for using a consistent rate for both public and private sector entities, on the basis for example that they operate in the same economy, and that this would lead to the use of corporate bond rates for the public sector.

Question 5

There may be a need for guidance for entities reporting in jurisdictions where there are no deep markets in government bonds/high quality corporate bonds. However, given the complexities likely to be inherent in such jurisdictions, further detailed consideration would need to be given to the relevant alternatives which reflect their economic conditions. In the absence of such considerations, the Standard may need to acknowledge that it does not provide such guidance.

Question 6

Permitting full recognition of actuarial gains and losses in the SORRE is an approach allowed by IAS 19. There are no sector specific reasons for restricting this treatment.

Question 7

The detailed disclosures required for post-employment benefits closely reflect IAS 19. There are no sector specific reasons for adopting a different approach.

Question 8

We have no observations to make on the effective date; the important thing is that early adoption is permitted.

Question 9

We agree that on first time adoption all actuarial gains and losses related to initial liabilities for defined benefit obligations should be recognized in opening accumulated surpluses or deficits. This is consistent with IAS 19 as applied today, following the extinction of the five year transitional period.

Question 10

We are content with the proposed reliefs from providing comparative information in the first year of adoption. These may facilitate earlier adoption in some jurisdictions.