CIPFA The Chartered Institute of Public Finance & Accountancy

IASB Request for Views
Effective Dates and Transition Methods

response to request for views

31 January 2011

the people in public finance

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Submitted electronically to www.ifrs.org

Dear IASB secretariat

Request for Views - Effective Dates and Transition Methods

CIPFA is pleased to present its comments on the matters discussed in this Request for Views, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

Responses to the questions in the Request for Views are attached.

I hope this is a helpful contribution to the development of the Board's guidance in this area.

Yours faithfully

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Responses to Questions for respondents
Q1. Please describe the entity (or the individual) responding to this Request for Views.
CIPFA is a professional accountancy body in the United Kingdom which specialises in the public services. In this context we are interested in the development of financial reporting standards both as they apply to the private sector and as they might be applied in or otherwise affect reporting in the public sector. Financial reporting by government bodies in the United Kingdom is now based on EU adopted IFRS, adapted as necessary for the public sector. While CIPFA has regard to the international context, most of the comments in this letter reflect the perspective of preparers and auditors in the UK public sector.
Q2. Focusing only on those projects included in the table in paragraph 18: **(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?** **(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?**
In the UK public sector we would expect greatest implementation effort to be attached to the leasing proposals. The degree of effort will depend on the final form of the standard – in CIPFA's response to the Leases ED we suggested that further explanation and some changes to the content of the proposals will be required before moving to a final IFRS. The principal up front costs will be the IT development for systems which feed into financial reporting, together with related training and changes to administration and control processes. There will also be some one off information gathering costs in transition. We would also expect some increases in audit costs. We expect most of these to be transitional costs.
Q3. Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?
We have no comment to make on broader financial reporting. We do not expect the proposals to give rise to a need for changes in auditing standards.

Q4. Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

We agree with the transition methods proposed.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

(a) Do you prefer the single date approach or the sequential approach? Why?

What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).

(b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?

(c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be?

Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.

(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

(a) CIPFA prefers the single date approach, although we suggest that early adoption should be permitted, subject to a requirement to implement certain related standards together in the interests of consistency – for example, leases and revenue recognition.

(b) Having regard to the transition proposals and the need to develop systems to support some of the changes, and also having regard to the approval process for EU adoption of IFRS, the earliest feasible adoption date would be 1 January 2014. In practice a date of 1 January 2015 would be more realistic.

Q6. Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones?

What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

In general, we consider that early adoption should be allowed, subject to a requirement to implement certain standards as linked packages including:

Leases and Revenue Recognition

Insurance and Financial Instruments

Consolidation and Joint Arrangements

Q7. Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?
We have no comment to make on FASB implementation.
Q8. Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? **If yes, what should those different adoption requirements be, and why?**
As noted above, we suggest that early adoption should be allowed for all of the proposals, and this would allow first time adopters to avoid nugatory work arising from changing standards, while giving them flexibility in situations where, for example, current IFRS are similar to their current reporting.