



The Institute Of Chartered Accountants Of India

(Set up by an Act of Parliament)

Jalgaon (WIRC)

To
The Secretary,
Committee on Accounting Standards for Local Bodies,
ICAI, New Delhi

Date: 29th December 2016

Dear Sir,

Sub: Comments and suggestions on exposure draft of 'the Conceptual Framework for General Purpose Financial Reporting by Local Bodies' along with the consequential amendments to ASLB '17, 'property, plant and equipment'

We are submitting here with some of the comments and suggestion suggested by members of Jalgaon branch of WIRC of ICAI on "the Conceptual Framework for General Purpose Financial Reporting by Local Bodies' along with the consequential amendments to ASLB - 17, property, plant and equipment"

- i) Almost all local bodies adopt cash basis of accounting. A conceptual framework needs to be developed for certifying such accounts based on cash system, until all the local bodies in the country adopt accrual basis of accounting.
- ii) The measurement bases of assets given in Para 7.6 other than historical cost therefore becomes irrelevant, and can never be applied in practice. In countries like India, market value cannot be found out properly as open, active, and orderly markets are not present.
- iii) Any local body does not hold assets for the purposes of sale. Maximum assets held by local bodies are not saleable as the services provided by local bodies are not allowed to be provided by private parties.
- iv) Due to restrictions on use of land and buildings for specific purposes net selling price concept is also not relevant. The local body will never sell any assets such as buildings or land but only try to use them more efficiently or renovate them.
- v) No local body can derived value in use of any assets because neither the net selling price as given in Para 7.61 nor the replacement cost can be derived. Also the economic benefits generated for continued use of assets cannot be determined accurately.



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vi) The matching concept of revenue and expenditure will fail even in accrual accounting for local bodies. This is evident from paragraphs on non-legally binding obligations (Para 5.23 to 5.26) where it is mentioned that several liabilities can arise due to economic coercion and political necessity, although local body is not legally obliged to incur an outflow of resources. Accounting of such liabilities would vitiate the true and fair view of the transactions of Local Bodies.

Kindly consider these points while framing "the Conceptual Framework for General Purpose Financial Reporting by Local Bodies along with the consequential amendments to ASLB - 17, property, plant and equipment"

With regards,

CA Nitin Zawar
Chairman
Jalgaon Branch of WIRC of ICAI.