



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Pune (WIRC)

30<sup>th</sup> December, 2016

To,

The Secretary,

Committee on Accounting Standards for Local Bodies,  
The Institute of Chartered Accountants of India  
ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi 110 002

Dear Sir /Madam,

Please find below the comments on Exposure Draft of "The Conceptual Framework for General Purpose Financial Reporting by Local Bodies" –

Introduction

Question – Whether the conceptual framework should form part of the Preface to the Accounting Standards for Local Bodies? This would be more relevant and appropriate manner of explaining the concepts that are to be applied in developing the accounting standards.

The Preface to the Conceptual Framework for General Purpose Reporting by Local Bodies

Para 3.C – Definition of Local Bodies

Question 1 - There are three tiers in Panchayat System - District Level (Zilha Parishad), Village Level (Gram panchayat) and Block level (Panchayat Samiti). It is not clear whether all the three tiers are included in the definition.

Question 2 – Whether Agriculture Produce Marketing Committees (APMCs) established under APMC Act are covered under local bodies.

Para 10 - The Nature of Local Body Programs and interpretation of Going Concern principle

Question – It is not clear whether commitments arising out of long term programmes should be disclosed under Contingent Liabilities or not as the words used are - "such commitments and powers are not recognized in the financial statements".

Para 11 –

Question – Grammatical Error in the sentence – "The financial consequences of many decisions will have an impact many years or even decades into the future, so GPFs containing prospective financial information...."

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### Chapter 3: Qualitative Characteristics

Question - It is learnt from reading with ASLB -1 "Presentation of Financial Statements" that these characteristics are part of IPSAS -1 and "Certain definitions and appendix on qualitative characteristics of financial reporting given in IPSAS 1 have been removed as these are proposed to be covered in the Conceptual Framework for General Purpose Financial Reporting by Local Bodies being developed by the Committee". It is more relevant to include these characteristics in ASLB 1 as ASLBs are mandatory in nature, whereas as given in Chapter 1 (reproduced below), the authority of the Conceptual Framework is to provide guidance.

#### Authority of the Conceptual Framework

- 1.2 The Conceptual Framework does not establish authoritative requirements for financial reporting by local bodies that apply ASLBs, nor does it override the requirements of ASLBs. Authoritative requirements relating to the recognition, measurement and presentation of transactions and other events and activities that are reported in GPFRs are specified in ASLBs.
- 1.3 The Conceptual Framework can provide guidance in dealing with financial reporting issues not dealt with by ASLBs. In these circumstances, preparers and others can refer to and consider the applicability of the definitions, recognition criteria, measurement principles, and other concepts covered in the Conceptual Framework.

#### Para 3.6 to 3.9 – Relevance

Question – Whether changes in governing body (elected representatives) would be considered as "Relevant" non-financial information. It has predictive value. The political party taking charge of the affairs may have different ideologies, plans for future development, etc. that may change the future available resources and/ or commitments on development plans. Clarification required.

#### Para 3.10 to 3.16 – Faithful Representation

Question – The basic components of this characteristic are complete, neutral and free from material error. All these are basic components of any financial statements, whether those of local bodies or otherwise. Is it necessary to explicitly include this characteristic in the list of Qualitative Characteristics?

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#### Chapter 4 – Reporting Entities

Question – Once the term Local Bodies has been defined elaborately, do we really need the concept of reporting entities as envisaged in this Chapter? It is suggested that the elaborate discussion in this Chapter should be included in the definition of local bodies itself as the Standards are meant for local bodies and not reporting entities. If some entities qualify as reporting entities, but are not included in the definition of local bodies or the generic meaning of the term, applicability of ASLBs to such entities may be questionable.

#### Chapter 5: Elements in Financial Statements

Para 5.7 – Formatting required – bullet for 1<sup>st</sup> point - Use the resource to provide services<sup>3</sup>;

#### Para 5.6 to 5.13 – Assets

Question 1 – Definitions of Asset and resource in present form are likely to be interpreted to include human resources as well. Specific exclusion required to avoid such interpretation.

Question 2 – It is not clear from the discussion in the para whether assets that are acquired free of cost and satisfy the criteria given in the definition would form part of element of financial statement. The definition of asset may be suitably modified to clarify the anomaly.

Kindly acknowledge the same.

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Chairperson  
Pune Branch of WIRC