



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Pune (WIRC)

To,

31st December, 2016

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 Comments on Exposure Draft of 'The Conceptual Framework for General Purpose Financial Reporting by Local Bodies' along with ASLB Property, Plant and Machinery (Equipment)

Para 21 –

- Grammatical error – replace “held” for “held” in the sentence “Some assets are hold by local bodies.....”
- Incomplete sentence – “Although, Infrastructure these assets may meet the definition of property, plant and equipment.”

Para 21A –

- Spelling mistake – manged – managed
- Reference to the exposure draft: Para 26

Given:

An item of property, plant and equipment that qualifies for recognition as an asset should be measured at its.

Comments:

'Cost' word needs to be inserted before the completion of the sentence.

- Reference to the exposure draft: Para 21, Para 21A and Implementation guidance 3 - Illustrative disclosures

Given:

Para 21 of the standard provides characteristics of general public utility assets held in trusts by local bodies. Additionally, it provides examples of such assets viz road networks, sewer systems, water and power supply system's etc.

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- Para 21 of the standard provides such assets cannot be capitalised and all expenditure incurred with respect to general public utility assets should be expensed off in the period incurred.
- Implementation guidance 3 provides an illustrative example where the local body controls a wide range of property, plant and equipment and irresponsible for replacement and maintenance of the property. In accordance with additional notes mentioned for the land, it appears that the local body has designated the land as public interest land and does not currently own the land.

- Comments:

The land satisfies all the characteristics of general public utility assets held in trusts as mentioned in para 21 of the standard. Accordingly, the land cannot be capitalised in the financial statements.

- Para 26 –

Word “cost” wrongly deleted in amendment.

- Para 27, 28 and 29 –

Words “or nominal value for which it is acquired, whichever is higher” should be added after “Nominal Value of Re. 1”

Recommended to add “Costs necessary to complete the acquisition and putting such assets to use should also be added to this value”.

- Para 29 –

Incomplete sentence –

For the purposes of this Standard, the measurement at recognition of an item of property, plant and equipment, acquired at no or nominal cost, nominal value of Re.1 consistent with the requirements of paragraph 27,

- Para 44B:

It is apparent from the nature of items stated under the said paragraph that the list of items is not exclusive but states 'and other changes'. It is suggested that 'possible scenarios' envisaged maybe elaborated in the appendix to the accounting standard. E.g. point b of the said para B states: liabilities arising from changes in obtaining or loss of control in case of subsidiaries or other businesses. The examples of possible liabilities/ future losses may

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be elaborated for ease of understanding. Also explanatory note regarding other changes may be made.

- Para 44 B continued: It is suggested that financial liabilities arising from changes in 'operating segments' need may be disclosed separately since any future possible change in acquisition or sale of a segment will have impact upon the entire perception of the financial statement.
- Para 44D: It mentions about reconciliation of opening and closing balances. It is suggested that a reconciliation format; if any' may be prescribed in order that the disclosures may be uniform and comparable across the board.
- Para 52 –Renumbering of items required subsequent to deletion of some items in the numbered list.

Delete "(m) heritage assets" from the list as a separate standard is proposed for that class.

- Para 96 –Words "or nominal value for which it is acquired, whichever is higher" should be added after "Nominal Value of Re. 1"Recommended adding "Costs necessary to complete the acquisition and putting such assets to use should also be added to this value".
- Reference to the exposure draft: Para 96 to 104 - Transitional provisions

Comments:

The transitional provisions must provide whether the comparative information in the financial statements is to be restated. Alternatively, transitional provisions covering all the standards may be provided by way of a separate standard

- Para 98 –

Words "or nominal value for which it is acquired, whichever is higher" should be added after "Nominal Value of Re. 1"

Recommended to add "Costs necessary to complete the acquisition and putting such assets to use should also be added to this value".

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Appendix A

Delete "Implementation Guidance 1 – Determination of Fair Value of Property, Plant and Equipment by Appraisal" as it is non-consequential after amendments in Para 21 and 21A.

Suggestion on AS 17

The conceptual framework for general purpose financial reporting by local bodies

Reference to the exposure draft: Para 5.24 and 5.25

- **Comments:**

On plain reading of the guidance available for recognition of the liability, the readers may not be able to appropriately determine obligating event. Additional guidance with examples needs to be provided for determining obligating event.

Reference to the exposure draft: Para 7.72 and Para 7.78

Given:

The measurement bases for liabilities provides, where the time value of liability is material, the cash flows need to be discounted to reflect the value of the liability at the reporting date.

- **Comments:**

The conceptual framework must provide a distinction between financial and non-financial liability. Accordingly, only financial liabilities must be discounted to present value.

For consistency between assets and liabilities, similar guidance is to be provided for classification and measurement of assets.

- **Reference to the exposure draft: Para 2.17**

Given:

The conceptual framework requires the local bodies to provide non-financial information viz compliance with approved budgets, service delivery activities and achievements, future expected services deliveries in the notes to the financial statements or in separate reports included in general purpose financial reports (GPFR).

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- Comments:

To assist users to better understand, interpret and place in context the information presented in the

Financial statements and as a good governance, the GPFR should provide expected date of completion and actual date of completion for the service delivery activities and achievements disclosed by the local bodies.

Kindly acknowledge the same.

CA Rekha Dhamankar

Chairperson

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