



Standing for trust and integrity

*Fédération des Experts-comptables Européens
Federation of European Accountants*

A staged approach: which way forward?

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Agenda

- What is the “Staged Approach”?
- The proposed Harmonization Approach
- Staged Approach for EPSAS Standard Setting
 - ↳ Evolution of IPSAS – also a Staged Approach
 - ↳ EPSAS - Comparison with IPSAS environment
 - ↳ Potential criteria for the definition of stages

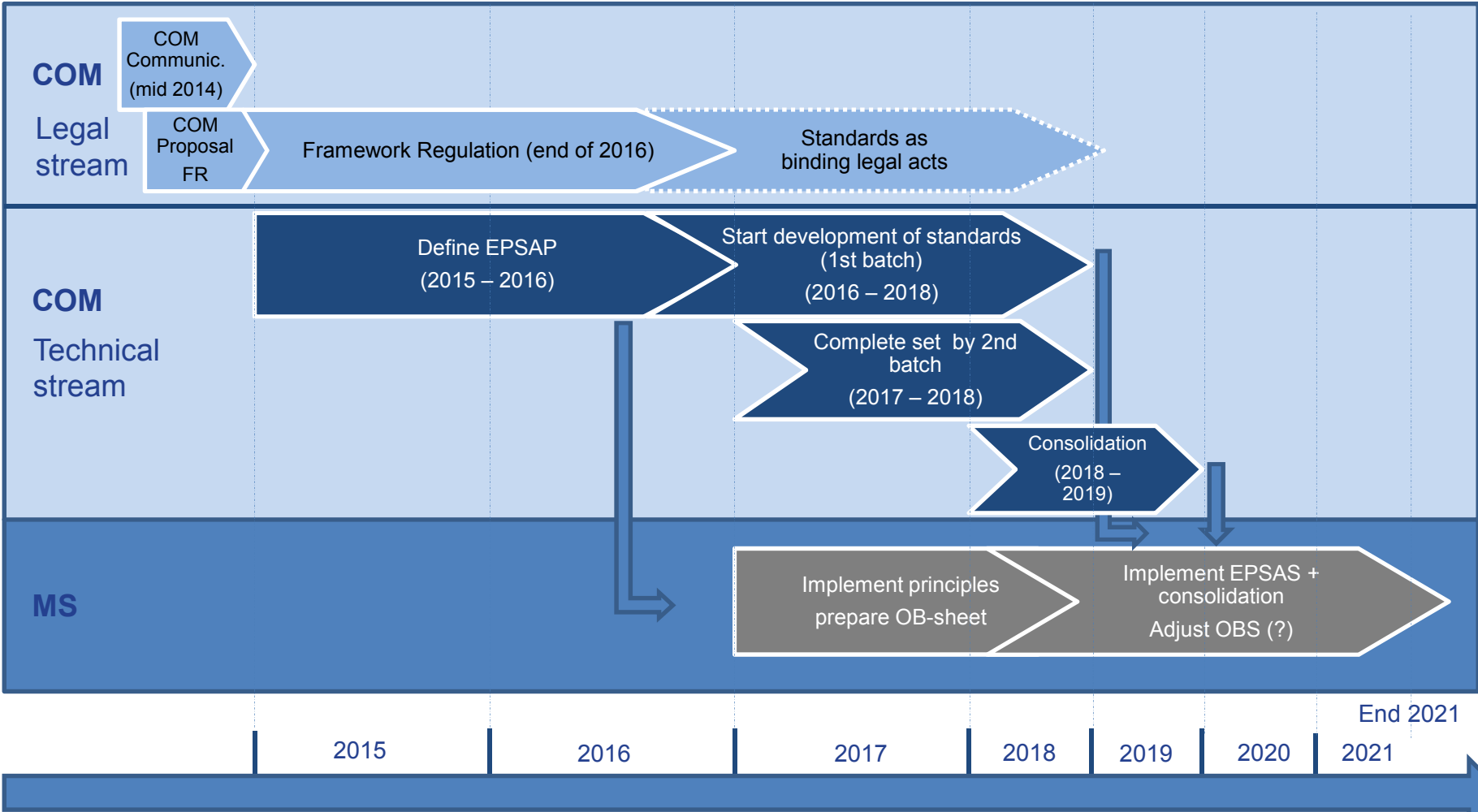
What is the “Staged Approach”?

The two different meanings

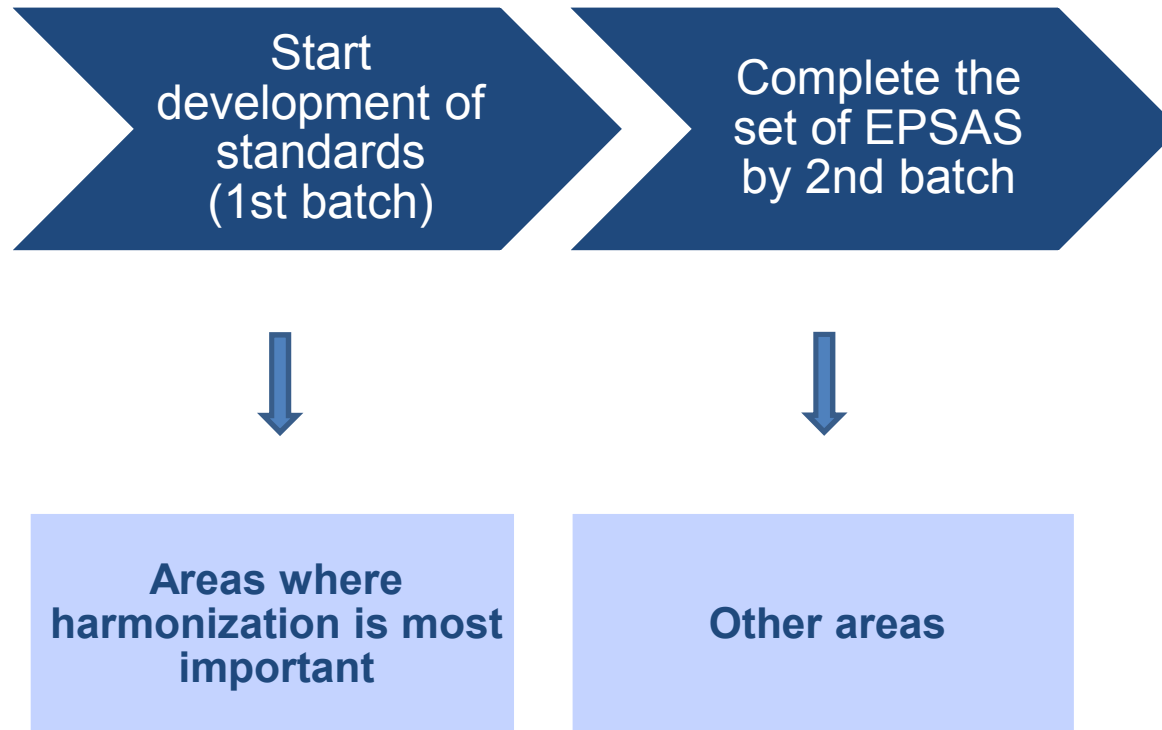
- Staged approach in terms of the overall process, including
 - ↳ Development of Principles/Conceptual Framework
 - ↳ Development of a (complete) set of standards
 - ↳ Implementation of standards
- Staged approach in terms of standard-setting
 - ↳ Sequenced development of groups of standards and also sequenced implementation of standards

EPSAS – the Harmonization Approach

Current Proposal



Staged Approach to EPSAS Standard Setting Current Proposal



Evolution of IPSAS

Also a „Staged Approach“

Phase 1 (1997-2002)

- Through financial support of international institutions development of a first set of accounting standards (“Core Set”: IPSAS 1 – IPSAS 20)

Phase 2 (2003-2010)

- Where relevant for the public sector, convergence with IAS/IFRS as of 31.12.2008 was achieved
- Issuance of first standards to specific issues of the public sector (IPSAS 21 – IPSAS 24)

Phase 3 (since 2010)

- Development of a Conceptual Framework for the public sector
- Focus on specific issues of the public sector as well as further development of existing standards (IFRSs convergence)

Current work program of the IPSASB (Consultation)

Evolution of IPSAS

Lead principles for IPSASB's phases

Phase 1 (1997-2002)

- Direct applicability
(“Core Set”: IPSAS 1 – IPSAS 20)

Phase 2 (2003-2010)

- Initial focus on public sector critical needs (e.g. IPSAS 21–24)
- Convergence with IFRS

Phase 3 (since 2010)

- Conceptual foundation
- Public sector critical needs

Current work program of the IPSASB (Consultation)



Staged Approach to EPSAS Standard Setting Comparison with IPSAS environment

IPSAS	EPSAS
<ul style="list-style-type: none"> Started from scratch; no international best practice available 	<ul style="list-style-type: none"> No need to start from scratch; international best practice available
<ul style="list-style-type: none"> Not binding – adoption or reference necessary 	<ul style="list-style-type: none"> Standards will likely be binding
<ul style="list-style-type: none"> Are therefore not directly applied 	<ul style="list-style-type: none"> Have to be directly applied as they are
<ul style="list-style-type: none"> No direct link between standard setting and implementation 	<ul style="list-style-type: none"> Linkage between standard setting and implementation envisaged

MAIN DIFFERENCE:

-  EPSAS can make use of the full set of IPSAS and likely of the conceptual framework

Staged Approach to EPSAS Standard Setting

Potential criteria for the definition of batches

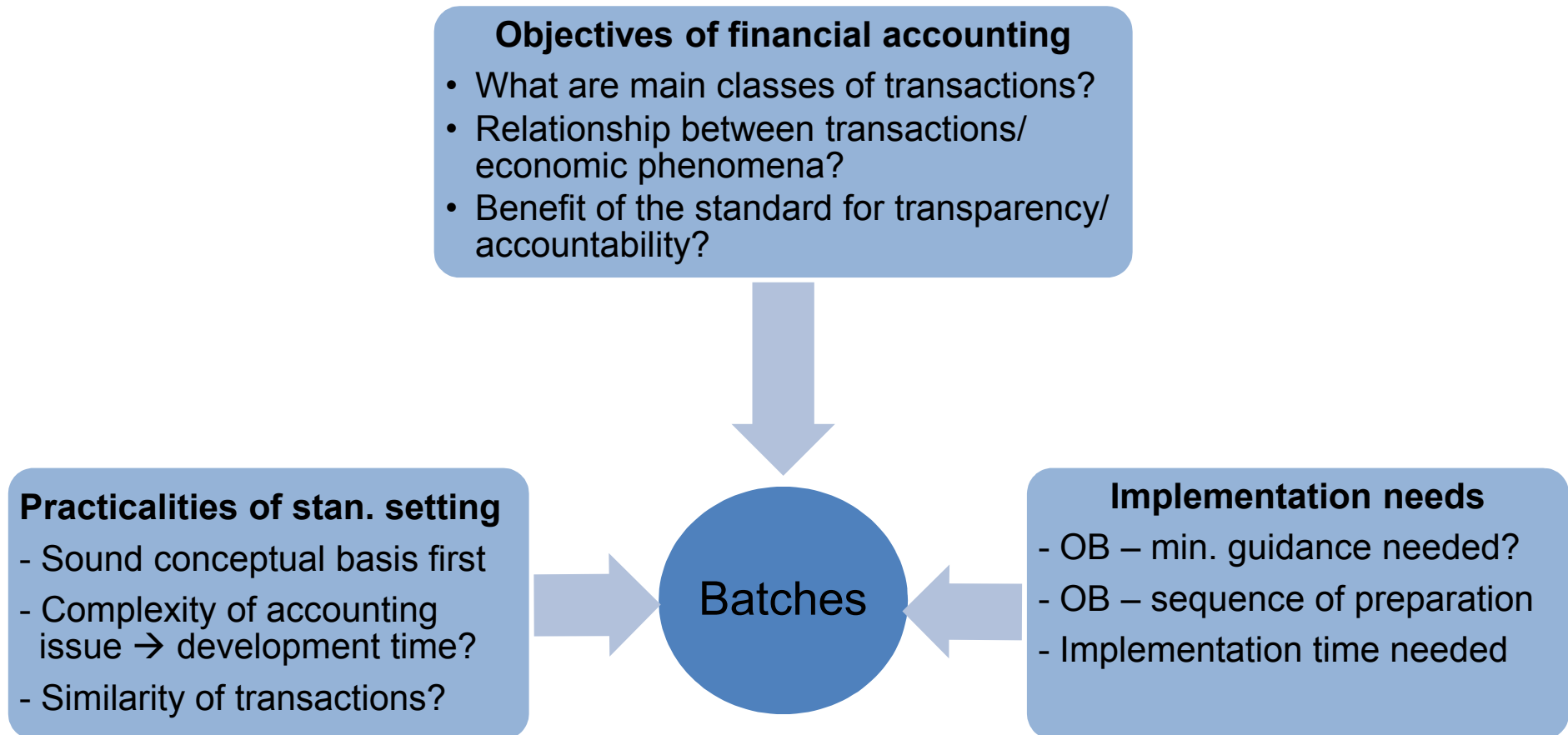
- EPSAS standards - most likely binding legal acts
 - ↳ Key question: Implementation by EU MS in sequence or „big bang“?
 - ↳ „Direct applicability“ probably not a criteria for definition of batches

- Better: Define batches by focussing on:
 - ↳ The objectives of financial accounting and reporting
 - ↳ Practicalities of standard setting
 - ↳ Implementation needs of MS

→ Relationship EPSAS to IPSAS?

Staged Approach to EPSAS Standard Setting

Potential criteria for the definition of batches



Staged Approach to EPSAS Standard Setting Transaction Approach

→ Which are the „areas where harmonization is most important“?

A transaction approach could group the standards as follows:

Main classes of transactions:

- Assets → infrastructure (e.g. roads/bridges), buildings (IPSAS 17)
- Debt → pensions (IPSAS 25), financial instruments (IPSAS 28-30)
- Revenues → especially taxes/transfers, but also fees (IPSAS 23, 9)
- Expenses → social benefits (ongoing project), transfers to other entities

Relationship between Transactions/Economic Phenomena:

- Assets → accounts payable (IPSAS 1, 19), impairment (IPSAS 21+26)
- Infrastructure → leases (IPSAS 13), service concession arrang. (IPSAS 32)
- Revenues → accounts receivable (IPSAS 1, 28-30)
- Social Benefits → provisions (IPSAS 19), pensions (IPSAS 25)

Staged Approach to EPSAS

Standard Setting

Transaction Approach

Start development of standards
(1st batch)

Complete the
set of EPSAS
by 2nd batch

- Presentation of Financial Statements
- Property, Plant and Equipment
- Impairment of Cash/Non-Cash-Generating Assets
- Provisions, Social Policy Obligations & Pensions
- Financial Instruments in the Public Sector
- Revenue Exchange/Non-Exchange Trans.
- Leases, Service Concession Arrangements

Other areas

Let's discuss





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