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Mr Andreas Bergmann
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Re: Conceptual Framework : Exposure Draft and Consultation Papers

Dear Andreas,

You will find, here joined, the comments made by the French “Conseil de normalisation des comptes publics” (CNOCP) on the questions raised by the IPSAS Board regarding the Conceptual Framework.

These comments are inspired by the consideration of the specificities of the public sector, namely the non-for-profit activity, the constitutional decision making process as opposed to the rule of contract in the private sector, the lack of connectivity between resources and expenses, the importance of transfers, the fact that public authorities are not « available-for-sale », etc. This does not preclude the need to adopt whenever possible, the same standards as the private sector, which is required in France by law.

I have to comment on an issue which made our debates complex and triggered some dissent by one of our members, as you will see in their own response to your consultation.

IPSAS Board asked whether we should prioritise from a conceptual point of view, a « balance sheet approach » or a « revenue and expense-led approach » which is based on the flow of expenses and resources.

I have to say that we are not comfortable with the question, as it is clear to us that both approaches are relevant and complementary : the ongoing effort of modernisation of the French system for financial accounts, at least for the past fifteen years, has precisely aimed to the development of accrual accounting, together with the building of a more comprehensive balance sheet (having in mind the difficulty which derives from our inability to value one of the most significant intangible assets, the right to raise taxes).

It remains clear, for most of us, that, from an operational point of view, the accounting of flows is of utmost importance and has to be consistent with budget management. Nonetheless, we devote lots of efforts to identify, measure and account for, assets and liabilities of public entities. Contrary to the purpose of the balance sheet approach in the private sector, whose main user is supposed to be the investor, this effort does not aim to « value » public entities with a view to buy or sell... It has both a management purpose (better management of real estate) and an objective to contribute to the sustainability analysis (debt management).

I wonder, therefore, whether the main question is not, rather than opposing the « revenue and expense-led approach » to the « « balance sheet approach », the way items are measured and valued. If this is the case, you can see in our responses that we take a clear view : our accounts register facts, based on triggering events, and prioritise the historical cost measurement with some significant exceptions where other methods are used (market value, replacement value...).

Indeed I have the feeling that the supposed opposition of flow versus balance sheet is an unintended consequence of the debate on the relationship between IPSAS and IFRS. As you know, we certainly take the view that neither the IFRS Conceptual Framework nor a number of their provisions are fit for the public sector.

I hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,

Michel Prada

Cc : Ms Stephenie Fox, Technical Director, IPSAS Board