



International
Federation
of Accountants

International Public Sector Accounting Standards Board

Public Sector Combinations
Agenda Item 8

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Objectives

- To discuss a detailed analysis of the responses to the Consultation Paper, *Public Sector Combinations*
- To obtain directions for the development of a draft Exposure Draft

Background

- CP issued in June 2012
- Comments requested by October 31, 2012
- 26 responses received

Analysis of Respondents

- By region
- By function
- By language

Structure of Issues Paper (1)

- SMC 1—Is the scope of the CP appropriate
- SMC 2 Part A—Distinction between acquisitions and amalgamations
- SMC 2 Part B—Distinction between combinations NUCC and combinations UCC

Structure of Issues Paper (2)

- PV 6—Recipient recognizes acquisition UCC when it gains control
- PV 7—Recipient in acquisition UCC recognizes the carrying amounts of assets and liabilities acquired
- PV 8—Resulting entity in an amalgamation applies the modified pooling of interests method of accounting
- PV 9—Combining operations continuing to present GPFs on going concern basis where resulting entity will fulfill responsibilities of those combining operations
- SMC 6—Accounting for the difference arising in an acquisition UCC

SMC 1—Is the scope of the CP appropriate

- MC1 Does the IPSASB agree:
 - (a) That the project should continue with the scope proposed in the CP;
 - (b) That guidance on accounting for non-current assets held for sale and discontinued operations should not be included in the scope of the project; and
 - (c) That further guidance should be included in the draft ED in relation to:
 - (i) The definition of an operation;
 - (ii) Disclosure requirements for combining entities relating to the going concern basis;
 - (iii) Subsequent measurement requirements similar to that included in IFRS 3; and
 - (iv) Distinguishing between asset acquisitions, entity and operation acquisitions and amalgamations using relevant text from IFRS 3?

SMC 2 Part A—Distinction between acquisitions and amalgamations

- MC2 Does the IPSASB agree that:
 - (a) The alternative suggestions set out in paragraphs 40–54 are further considered at a future meeting after determining the accounting treatment for combinations UCC;
 - (b) The draft ED should clarify that the determination of an acquisition or an amalgamation is based on the economic substance of the combination rather than its legal form; and
 - (c) The suggestion to change the term “acquisition” to “transfer of operation” should be considered when combinations UCC are discussed at a future meeting?

PVs 6, 7, 8 and 9

- MC3 Does the IPSASB agree:
 - (a) That consideration of PV 6 and PV 7 is deferred until it is decided to continue with the CP's proposal to have a category for acquisitions UCC;
 - (b) That a resulting entity in an amalgamation should apply the modified pooling of interests method of accounting (PV 8);
 - (c) That combining operations continue to present GPFSs on a going concern basis whether the resulting entity will fulfill the responsibilities of those combining operations (PV9); and
 - (d) That the issues set out in paragraph 86 should be considered at a future meeting with a view to including guidance in the draft ED?

SMC 6—Accounting for the difference arising in an acquisition UCC

- MC4 Does the IPSASB agree that:
 - (a) Combinations UCC should be accounted for as one category;
 - (b) The category should be termed “reorganizations” instead of “amalgamations”;
 - (c) The resulting entity in an reorganization should apply the modified pooling of interests method of accounting (noting that the specific requirements of applying the modified pooling of interests method will be considered at a future meeting); and
 - (d) Combinations should first be distinguished by determining whether the entities to the combination are NUCC or UCC?

Next Steps

- June 2012 meeting—continue analysis of responses for:
 - PV 3—Control is sole definitive criterion for distinguishing an amalgamation from an acquisition;
 - SMC 3—Other public sector characteristics for distinguishing an amalgamation from an acquisition;
 - PV 4—Recipient recognizes acquisition NUCC when it gains control;
 - SMC 4—Measurement of acquisition NUCC;
 - PV 5—Recipient in acquisition NUCC recognizes difference arising as gain where recipient acquires net assets in excess of consideration transferred (if any) and loss where recipient assumes net liabilities; and
 - SMC 5—Accounting for difference arising where the consideration transferred is in excess of the net assets acquired in an acquisition NUCC.
- Future meeting—continue analysis of responses for:
 - PV 1—Key definitions;
 - PV 2—Definition of combination UCC; and
 - SMC 7—Symmetrical Accounting for an Acquisition UCC.