

Agenda Item 3: Update of IPSASs 6 to 8

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IPSASB Meeting

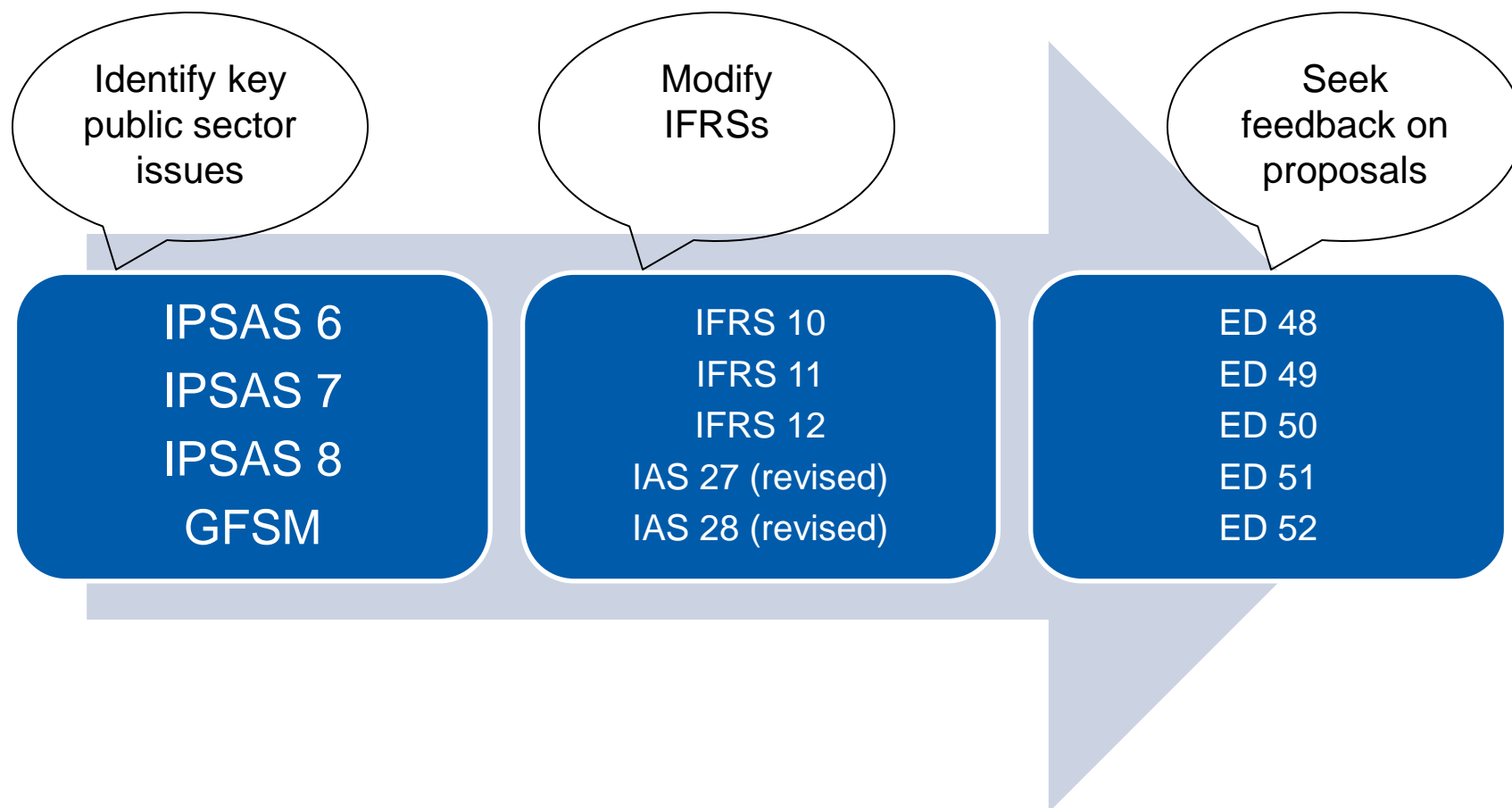
September 16-19, 2013

Toronto, Canada

Objectives of Agenda Item

- Consider and resolve remaining issues
(agenda item 3.1)
- Consider and approve EDs
(agenda items 3.2 to 3.6)
- Note update on related IASB projects
(agenda item 3.1)

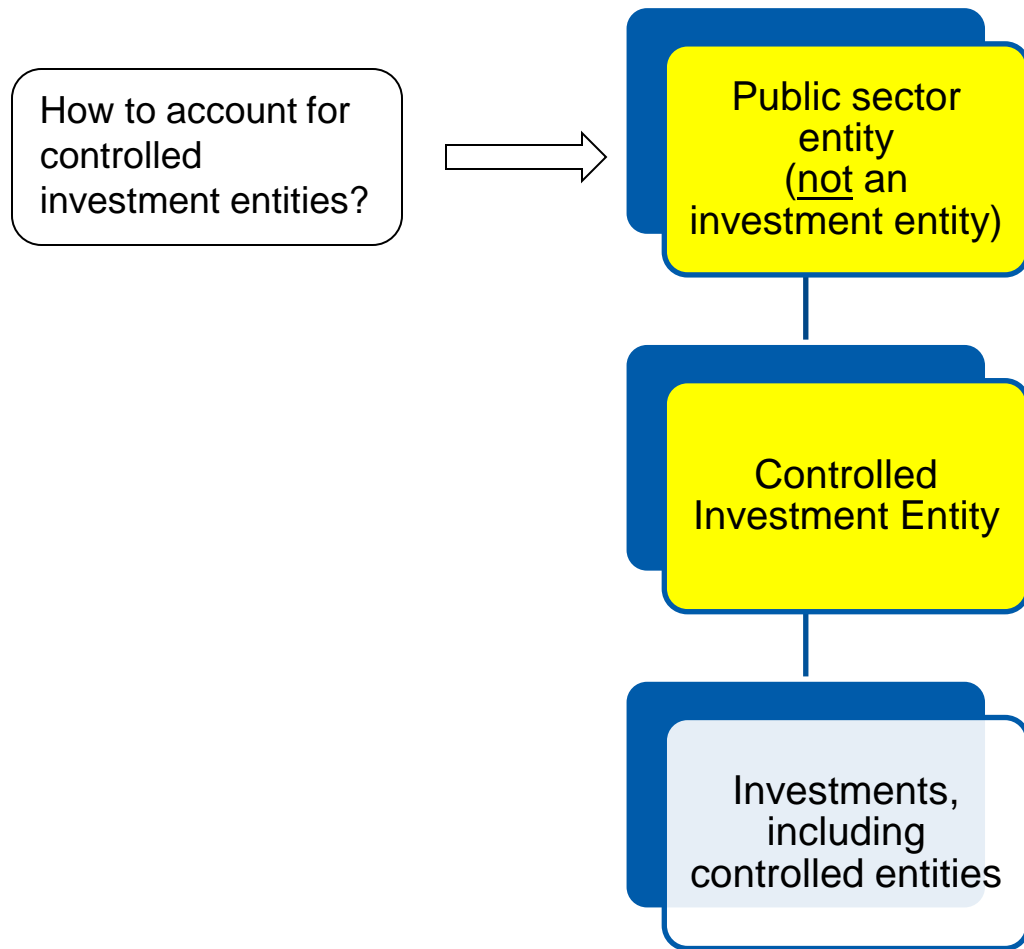
Process



Links between current IPSASs and EDs

| Current IPSASs | EDs |
|---|--|
| IPSAS 6 <i>Consolidated and Separate Financial Statements</i> | ED 48 <i>Consolidated Financial Statements</i> ED 51 <i>Separate Financial Statements</i> |
| IPSAS 7 <i>Investments in Associates</i> | ED 52 <i>Investments in Associates and Joint Ventures</i> |
| IPSAS 8 <i>Investments in Joint Ventures</i> | ED 49 <i>Joint Arrangements</i> |
| | ED 50 <i>Disclosure of Interests in Other Entities</i> |

Accounting for investment entities



Accounting for investment entities

Options for accounting for a controlled investment entity by an entity that is not itself an investment entity

- Option 1 Consolidate controlled investment entity
- Option 2 Fair value controlled investment entity
- Option 3 Fair value the investments of a controlled investment entity and consolidate the remainder of a controlled investment entity

Accounting for investment entities

Recommendations

- NOTE arguments made by IASB respondents
- AGREE that the practical difficulties that influenced the IASB decision are not expected to be as prevalent in the public sector
- AGREE
 - Roll up the exception to consolidation to the controlling entity
 - Require that the controlling entity measure the investment entity at fair value through surplus or deficit in the consolidated financial statements (being Option 2)

General drafting issues (all EDs)

Recommendations

- AGREE to use the full title of Standards throughout the EDs
- NOTE that the transitional provisions in the proposed Standards are relevant for entities that are already applying IPSASs

ED 48, Consolidated Financial Statements

Page by page review

Recommendations

- NOTE the changes since the ED was last considered
- AGREE to issue ED 48, *Consolidated Financial Statements*
- AGREE the Specific Matters for Comment
- AGREE comments requested by 31 January 2014

ED 48, Consolidated Financial Statements

Changes since ED 48 was last considered

- Accounting by an investment entity (decided in June 2013)
- Accounting for controlled investment entities by an entity that is not itself an investment entity (to be decided this meeting)
- Specific Matters for Comment added (all EDs)
- BC completed (all EDs)

ED 48, Consolidated Financial Statements

Specific Matter for Comment 1:

- Do you agree with the proposed definition of control? If not, how would you change the definition?

Specific Matter for Comment 2:

- Do you agree that a controlling entity should consolidate all controlled entities (except in the circumstances proposed in this ED)? If you consider that certain categories of entities should not be consolidated, please justify your proposal having regard to user needs and indicate your preferred accounting treatment for any such controlled entities. If you have any comments about temporarily controlled entities, please respond to Specific Matter for Comment 3.

ED 48, Consolidated Financial Statements

Specific Matter for Comment 3:

- Do you agree with the proposal to withdraw the current exemption in IPSAS 6, *Consolidated and Separate Financial Statements* for temporarily controlled entities? If you agree with the withdrawal of the exemption please give reasons. If you disagree with the withdrawal of the exemption please indicate any modifications that you would propose to the current exemption in IPSAS 6.

ED 48, Consolidated Financial Statements

Specific Matter for Comment 4:

- Do you agree that a controlling entity that meets the definition of an investment entity should be required to account for its investments at fair value through surplus or deficit?

Specific Matter for Comment 5:

- Do you agree that a non-investment entity that controls an investment entity should be required to account for that investment entity at fair value through surplus or deficit?

ED 49, Joint Arrangements

Page by page review

Recommendations

- NOTE the changes since the ED was last considered
- AGREE to issue ED 49, *Joint Arrangements*
- AGREE the Specific Matters for Comment
- AGREE comments requested by 31 January 2014

ED 49, Joint Arrangements

Changes since ED 49 was last considered

- Description of binding arrangements modified (decided in June 2013)
 - a binding arrangement, as referred to in the definition of joint control, describes an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. It includes rights from contracts or other legal rights.

ED 49, Joint Arrangements

Specific Matter for Comment 1:

- Do you agree that joint arrangements should be classified as joint ventures or joint operations based on whether an entity has (i) rights to assets and obligations for liabilities, or (ii) rights to net assets?

Specific Matter for Comment 2:

- Do you agree that joint ventures should be accounted for in consolidated financial statements using the equity method?

ED 50, Disclosure of Interests in Other Entities

Page by page review

Recommendations

- NOTE the changes since the ED was last considered
- AGREE to issue ED 50, *Disclosure of Interests in Other Entities*
- AGREE the Specific Matters for Comment
- AGREE comments requested by 31 January 2014

ED 50, Disclosure of Interests in Other Entities

Changes since ED 50 was last considered

- Structured entity changes (decided March 2013)
 - definition modified
 - application guidance modified
- Proposes disclosures by a non-investment controlling entity about unconsolidated controlled investment entities
(Subject to IPSASB's decisions about accounting for investment entities)

ED 50, Disclosure of Interests in Other Entities

Specific Matter for Comment 1:

- Do you agree with the proposal that entities for which administrative arrangements or statutory provisions are dominant factors in determining control of the entity are not structured entities? If not, please explain why and explain how you would identify entities in respect of which the structured entity disclosures would be appropriate.

ED 51, Separate Financial Statements

Page by page review

Recommendations

- NOTE the changes since the ED was last considered
- AGREE to issue ED 51, *Separate Financial Statements*
- AGREE the Specific Matters for Comment
- AGREE comments requested by 31 January 2014

ED 51, Separate Financial Statements

Changes since ED 51 was last considered

(all decided in March 2013)

- Equity method reinstated
- Permit carrying amount (of certain financial assets) to be used as initial cost when there are no published price quotations
- Acknowledge that an entity may not have recognized goodwill in relation to an associate or joint venture
- Align uniform reporting date requirements with ED 48

ED 51, Separate Financial Statements

Specific Matter for Comment 1:

- Do you agree with the proposal to continue to permit the use of the equity method in separate financial statements?

ED 52, Investments in Associates and Joint Ventures

Page by page review

Recommendations

- NOTE the changes since the ED was last considered
- AGREE to issue ED 52, *Investments in Associates and Joint Ventures*
- AGREE the Specific Matters for Comment
- AGREE comments requested by 31 January 2014

ED 52, Investments in Associates and Joint Ventures

Changes since ED 52 was last considered

- IASB ED 2012/3 *Equity Method: Share of Other Net Asset Changes*
 - IPSASB agreed (March 2013) to include proposals in IASB ED
 - Outcome of IASB project uncertain
 - Proposals not included in ED 52

ED 52, Investments in Associates and Joint Ventures

Specific Matter for Comment 1:

- Do you agree with the proposal to require the use of the equity method to account for investments in joint ventures? If not, please provide reasons and indicate your preferred treatment?