



# Public Sector Combinations

Paul Mason, Principal

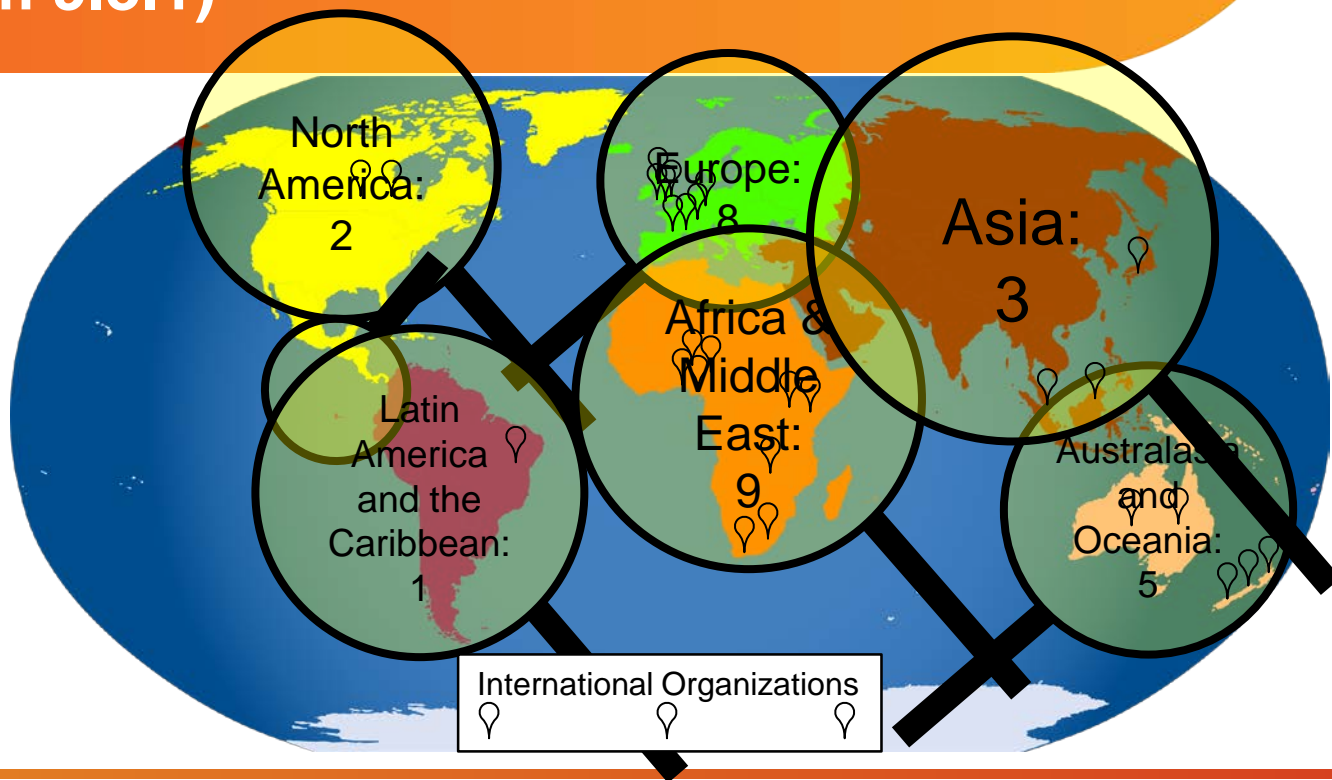
IPSASB Meeting

September 20-23, 2016

Toronto, Canada

# Where did the respondents come from? (Agenda Item 9.3.1)

| Key   |   |
|---|---|
| Accountancy Firm                            | 📍 |
| Audit Office                                | 📍 |
| Member or Regional Body                     | 📍 |
| Preparer                                    | 📍 |
| Standard Setter or Standards Advisory Board | 📍 |
| Other                                       | 📍 |



# Scope of the Project (Agenda Item 9.2.1)

## Changes to scope proposed by respondents

- Joint Ventures & Joint Arrangements
- Transferor Accounting
- Other common control transactions, e.g. entity separations

## Staff Proposal:

- No changes required

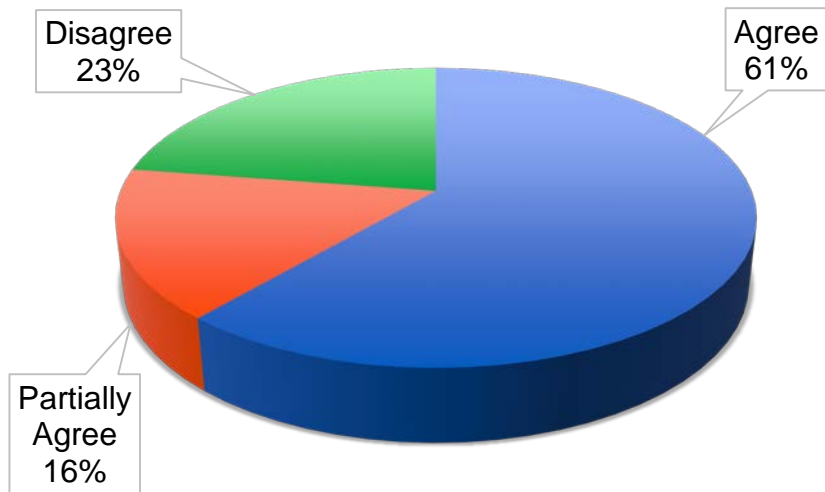
## Clarifications sought by respondents

- Temporary measures, e.g. bailouts
- IPSAS 35 control criteria
- Entity absorbing an operation

## Does the IPSASB wish to include any clarifications?

# Classification of Public Sector Combinations (Agenda Item 9.2.2)

**Did respondents agree with the  
classification in the ED?**



## Issues raised

- Rebuttable presumption
- Common control
- Control
- Alternative classification approaches

# Accounting for amalgamations (Agenda Item 9.2.3)

## Modified pooling of interests method

- Appropriate for combinations classified as amalgamations
- Permit (but not require) comparatives – unmodified pooling of interests method

## Exemptions

- Tax forgiveness as part of amalgamation and subsequent to amalgamation
- No further amendments required

## Retain Paragraph 30

- Provides signposting

## “Modified pooling of interests” terminology

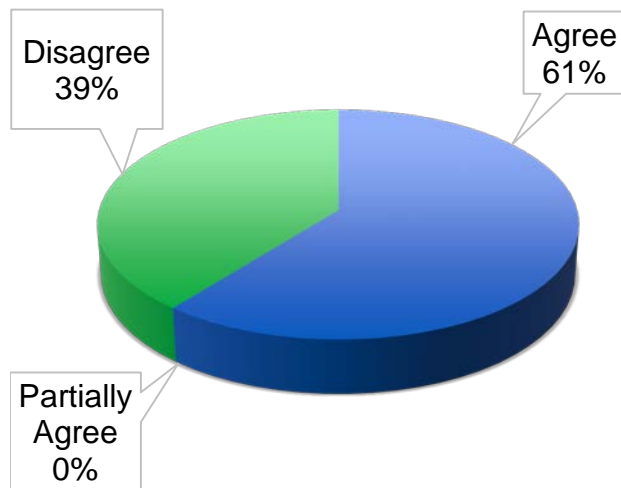
- Retain

## Additional guidance

- Does the IPSASB wish to include any additional guidance?

# Residual amount in an amalgamation (Agenda Item 9.2.4)

**Did respondents support recognizing all amounts in the residual amount?**



Retaining existing reserves better represents the combination, is more transparent and better meets users' needs

The proposals will result in reliable information on the revaluation reserve being discarded

The combining entities are effectively continuing as one entity rather than as two or more separate entities

Reporting subsequent revaluation losses as an expense risks misrepresenting financial performance in future years

The proposals will produce ongoing consolidation adjustments where the amalgamation takes place under common control

Retaining existing reserves would be consistent with the pooling approach required under IAS 22 (revised 1993) *Business Combinations*

The proposals will impact on a wide range of reserves, including those relating to employee benefits, hedging and reserves restricted by legislation, which would be inconsistent with the ED's requirement the existing classifications and designations are maintained

# Residual amount in an amalgamation (Agenda Item 9.2.4)

ED proposed that the residual amount be recognized as an ownership contribution or ownership distribution for amalgamations under common control

Majority support

Some respondents –  
Standard should not  
prescribe treatment

## Recommendation

Standard should not  
prescribe where in net  
assets/equity amounts are  
recognized

# Accounting for Acquisitions (Agenda Item 9.2.5)

## Recommendations

- Acquisition method appropriate for combinations classified as acquisitions
- Goodwill – delete paragraph 85 (no consideration paid), no further changes
- Amend heading over paragraphs 100-101 (stapling arrangements etc.)
- Include disclosure on loss on acquisition recognized in surplus or deficit
- Use of carrying amount / deemed cost where cannot reliably measure fair value
- Tax forgiveness consistent with modified pooling of interests method

## Question

- Measurement period extended to two years?



# Other issues raised by respondents (Agenda Item 9.2.6)

## Disclosures



- ☐ Intended combinations?
  - Transferor and recipient?
- ☐ Financial effect on transferor?
- ☐ Materiality in examples?

## Other Issues



- ☐ Modify definition of amalgamation date?
- ☐ Consequential amendment to IPSAS 17?
- ☐ Clarify definitions of inputs and outputs?



[www.ipsasb.org](http://www.ipsasb.org)

---