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EXPOSURE DRAFT 96

Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities (Amendments to IPSAS 40)

Program and Technical Director

International Public Sector Accounting Standards Board (IPSASB)

International Federation of Accountants

277 Wellington Street West, 6th floor

Toronto, Ontario M5V 3H2 CANADA

Brasília, Brazil

June 30, 2026

Dear Mr. Thomas Müller-Marqués Berger,

The Conselho Federal de Contabilidade (CFC) of Brazil welcomes the opportunity to comment on the consultation for IPSASB Exposure Draft 96 - Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities (Amendments to IPSAS 40). The CFC, together with its regional bodies—the Regional Accounting Councils (Conselhos Regionais de Contabilidade – CRCs)—is the professional accounting organization responsible for the regulatory activities that oversee the accounting profession throughout the country.

Our views and comments can be found in the Appendix of this document, which was prepared by the Permanent Committee for Public Sector Accounting Standards (*Comitê Permanente para Normas de Contabilidade Aplicadas ao Setor Público* – CP CASP) linked to the Federal Accounting Council.

Should you have any questions or require clarification on any matters in this submission, please contact: tecnica@cfc.org.br

Sincerely,

JOAO CARLOS CASTILHO GARCIA:14300067813 Assinado de forma digital por JOAO CARLOS CASTILHO GARCIA:14300067813 Dados: 2026.06.30 16:19:07 -03'00'

João Carlos Castilho Garcia

Technical Vice-President

Conselho Federal de Contabilidade

CONTEXT AND GENERAL COMMENTS

The Brazilian Federation is composed of 26 states, the Federal District, and 5,569 municipal governments. These levels of government are responsible for formulating, implementing, and evaluating public policies through cooperative and/or competitive arrangements.

IFRS Alignment Amendments to IPSAS 40 proposed in ED 96:

IASB's Publication	*Equivalent IPSAS Standard*	*Summary of Change*
Definition of a Business (Amendments to IFRS 3) (Issued October 2018)	IPSAS 40, *Public Sector Combinations*	The amendments include: • Addition of related application guidance and illustrative examples regarding the definition of "operation"; and • Addition of an optional concentration test to simplify the assessment of whether an acquired set of activities and assets is an operation. (See Part 1)
References to the Conceptual Framework (Amendments to IFRS 3) (Issued May 2020)	IPSAS 40, *Public Sector Combinations*	The amendments include: • Reference to guidance in IPSAS 19, *Provisions, Contingent Liability and Contingent Assets* to determine whether a present obligation exists on acquisition date as a result of past events; • Clarification that only contingent liabilities which are present obligations in accordance with IPSAS 19, and whose fair value can be measured reliably, can be recognized; and • An explicit prohibition against the recognition of contingent assets to be consistent with IPSAS 19. (See Part 2)

ANSWER:

The CP CASP/CFC has no comments about Part 1 of ED 96.

About Part 2, no obstacles were found to the changes suggested by the IPSASB regarding the revision of the term "business" and its related application guidance, nor to the introduction of the optional concentration test to simplify the assessment of whether an acquired set of activities and assets constitutes a business.

However, there were differences of opinion within CPCASP regarding the proposal to recognize contingent liabilities in a business combination (acquisition), given the provisions in other IPSAS standards that address the definition and recognition of financial elements—particularly with regard to liabilities and contingent liabilities—with a potential conceptual divergence between the current proposal and other standards, especially concerning the fact that only liabilities should be recognized; that is, items considered contingent liabilities should not be recognized.

Accordingly, new wording is proposed for paragraph 77 of IPSAS 40, to be amended as follows:

77. The requirements of IPSAS 19 do not apply to the determination of which contingent liabilities to recognize at the acquisition date. Instead, the acquirer shall recognize as of the acquisition date a provision for a liability previously considered a contingent liability assumed in an acquisition in which consideration is transferred if it is a present obligation arising from past events and its fair value can be measured reliably. Therefore, in light of paragraphs 22(b), 31, 35, 37, and 38 of IPSAS 19, the contingent liability ceases to be treated as such and is recognized as a provision for a liability assumed in an acquisition in which consideration is transferred at the acquisition date, even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph 115 of this Standard provides guidance on the subsequent accounting for liabilities and other possible obligations.

This technical committee understands the objective of including liabilities arising from acquisitions in the accounting records and financial statements, even if they do not meet all the conditions for proper recognition under the standards in effect at that time. However, the wording proposed by the IPSASB may lead to differing interpretations by those responsible for applying the standards in other situations involving contingent liabilities, whereas our suggested wording makes it clear that contingent liabilities should never be recognized.