International Public Sector Accounting Standards Board

70 York Street, Suite 710,

Toronto, ON M5J 1S9

CANADA

7 July 2026

Submitted electronically

Dear IPSASB Secretariat,

ED96: *Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities* (Amendments to IPSAS 40)

Thank you for the opportunity to comment on IPSAS 40, *Amendment to IPSAS 40*.

The objective of the Exposure Draft is to propose amendment to IPSAS 40, *Public Sector Combinations*, to maintain consistency with IFRS 3, *Business Combinations.*

Paragraphs BC95 and BC96 note that the IPSASB has reviewed the revisions to IFRS3 issued by the International Accounting Standards Board, and generally concurred that there was no public sector specific reason for not adopting the amendments.

Opus Lamna Consulting agrees that it is appropriate for these amendments to be adopted within IPSAS 40. However, IPSAS 40 has a wider scope than IFRS 3, covering amalgamations as well as acquisitions. In accordance with paragraph 2(c) of IFRS 3, combinations under common control are outside the scope of IFRS 3. Such combination would usually be accounted for as amalgamations under IPSAS 40. Opus Lamna Consulting considers that this difference in scope should be reflected in the drafting of Part 1 of ED 96, in particular in paragraphs AG4A–AG4C,that introduce the concentration test.

Detailed comments are provided in Annex A.

Should you wish to discuss any aspects of this response, please feel free to contact me.

Yours sincerely,

P. Mason

Paul Mason.

Director

Annex A – Detailed comments on ED 96. *Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities* (Amendments to IPSAS 40)

Part 1 – Definition of an Operation

Definitions (paragraph AG4)

Opus Lamna Consulting supports the proposed amendments to paragraph AG4. Operations may contribute to the creation of outputs as well as creating outputs themselves, and the amendments will clarify this, making the definition easier to apply.

Optional Test to Identify Concentration of Current Value (paragraphs AG4A–AG4C)

The concentration test was introduce in IFRS 3 to assist entities in distinguishing between acquisitions of assets and acquisitions of a business, as part of the process for identifying the business. This is appropriate because all transactions within the scope of IFRS 3 will be acquisitions.

This is not the case for IPSAS 40, where many transactions within the scope of the Standard will be amalgamations. The application of the concentration test needs to reflect this. The logical flow of IPSAS 40 is to identify the operation, then determine if the operation is part of a combination, and finally whether that combination is an acquisition or an amalgamation. The proposed amendments in Part 1 of ED 96 attempt to introduce the concentration test in the first step of identifying the operation; but the test presumes that there is acquisition, something that cannot be identified until the third step.

Consequently, Opus Lamna Consulting disagrees with the proposed drafting of paragraphs AG4A–AG4C. These paragraphs do not refer to amalgamations. While the reference to "an acquired set of activities and assets" in paragraph AG4A implies that the concentration test only applies to acquisitions, the references to "current value" in AG4B (rather than to "fair value", as used in IFRS 3) implies that the concentration test is also intended to be applicable to amalgamations.

This lack of clarity regarding amalgamations could be confusing for entities applying IPSAS 40, and could result in entity's attempting to apply the concentration test to combinations which are then determine to be amalgamations. Opus Lamna Consulting do not consider that this would be appropriate. In support of the view, we note the each of the proposed additional Illustrative Examples (paragraphs IE279 – IE326) refers to a purchaser and to fair value (despite the use of current value in paragraph AG4B).

In addition, applying the concentration test to potential amalgamations would be impractical for the following reasons:

- The entity that would control the assets after an acquisition of assets (an acquirer) and the entity that would control the asset after an amalgamation (a resulting entity) would be different entities.
- These different entities will raise measurement issues. While fair value would be appropriate for an acquisition, current value is likely to be more appropriate for amalgamations. For some assets, the appropriate measurement basis would be current operation value. This measurement basis is entity specific, raising the question of for which entity the value should be assessed.

For these reasons, Opus Lamna Consulting recommends that the use of the concentration test is explicitly limited to those transactions where a combination involving the operation would be an amalgamation. We acknowledge that it is challenging to achieve this without having first identified the operation and considered whether any combination involving the operation would be an acquisition or an amalgamation.

IPSAS 40 provides guidance on classifying public sector combinations (see paragraphs 7–14 and AG10–AG50). Taking this guidance into consideration, Opus Lamna Consulting considers that the concentration test may be relevant where:

- A party to the transaction gains control of the assets (and assumes the related liabilities) [see paragraph 7 of IPSAS 40]; and
- The transaction involves the payment of consideration that is intended to compensate those with an entitlement to the net assets of a transferred operation [see paragraph 12(a) of IPSAS 40].

Opus Lamna Consulting therefore recommends that paragraph AG4A of ED 96 is amended to limited the use of the concentration test to transaction where the two criteria listed above are met.

Opus Lamna Consulting also recommends that paragraph AG4B of ED 96 is amended to replace the references to current value with references to fair value.

Elements of an Operation (paragraphs AG5 – AG8)

Opus Lamna Consulting agrees with the proposed amendments to these paragraphs, with one exception. We consider that these amendment are relevant to all public sector combinations. We therefore recommend that the reference to "an acquired set of activities and assets" should be replace with a reference to "a set of activities and assets", as without this amendment, the paragraph could be read as only applying to acquisitions.

Assessing Whether an Acquired Process is Substantive (paragraphs AG9–AG9D)

Opus Lamna Consulting agrees with the proposed amendments to paragraph AG9, and the addition of paragraphs AG9A–AG9D, with one exception. We consider that these amendment are relevant to all public sector combinations. We therefore recommend that the wording of these paragraphs is amended to avoid references to acquisitions. As currently drafted these paragraphs could be read as only applying to acquisitions. Our proposed alternative drafting is provided in Annex B.

Part 2 - Recognition of Acquired Liabilities and Contingent Liabilities within the Scope of IPSAS 19

Opus Lamna Consulting supports the proposed amendments in Part 2 of ED 96.

Annex B – Proposed Amendment

AG9. Paragraphs AG9A–AG9D explain how to assess whether a~~an acquired~~ process is substantive if the ~~acquired~~ set of activities and assets does not have outputs (paragraph AG9B) and if it does have outputs (paragraphAG9C).

AG9A. An example of a~~an acquired~~ set of activities and assets that does not have outputs at the ~~acquisition~~ transaction date is an early-stage entity that has not started generating revenue. (Such early-stage entities do not include organizations which do not have a profit-making objective and are not expected to generate revenue from its operations.) Moreover, if a~~an acquired~~ set of activities and assets was generating revenue at the ~~acquisition~~ transaction date, it is considered to have outputs at that date, even if subsequently it will no longer generate revenue from external customers, for example because it will be integrated by the acquirer or resulting entity.

AG9B. If a set of activities and assets does not have outputs at the ~~acquisition~~ transaction date, a~~an acquired~~ process (or group of processes) shall be considered substantive only if:

(a) It is critical to the ability to develop or convert an ~~acquired~~ input or inputs into outputs; and

(b) The inputs ~~acquired~~ include both an organized workforce that has the necessary skills, knowledge, or experience to perform that process (or group of processes) and other inputs that the organized workforce could develop or convert into outputs. Those other inputs could include:

(i) Intellectual property that could be used to develop a good or service;

(ii) Other economic resources that could be developed to create outputs; or

(iii) Rights to obtain access to necessary materials or rights that enable the creation of future outputs.

Examples of the inputs mentioned in subparagraphs (b)(i)–(iii) include technology, in-process research and development projects, real estate and mineral interests.

AG9C. If a set of activities and assets has outputs at the ~~acquisition~~ transaction date, a~~an acquired~~ process (or group of processes) shall be considered substantive if, when applied to an ~~acquired~~ input or inputs, it:

(a) Is critical to the ability to continue producing outputs, and the inputs ~~acquired~~ include an organized workforce with the necessary skills, knowledge, or experience to perform that process (or group of processes); or

(b) Significantly contributes to the ability to continue producing outputs and:

(i) Is considered unique or scarce; or

(ii) Cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

AG9D. The following additional discussion supports both paragraphs AG9B and AG9C:

(a) A~~An acquired~~ binding arrangement (including a contract) is an input and not a substantive process. Nevertheless, a~~an acquired~~ contract, for example, a contract for outsourced property management or outsourced asset management, may give access to an organized workforce. An entity shall assess whether an organized workforce accessed through such a contract performs a substantive process that the entity controls~~, and thus has acquired~~. Factors to be considered in making that assessment include the duration of the contract and its renewal terms.

(b) Difficulties in replacing an acquired organized workforce may indicate that the ~~acquired~~ organized workforce performs a process that is critical to the ability to create outputs.

(c) A process (or group of processes) is not critical if, for example, it is ancillary or minor within the context of all the processes required to create outputs.