

Agenda Item 8: Public Sector Combinations

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IPSASB Meeting

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Objectives of Agenda Item

Review the Issues Paper; and

Provide directions for the classification of public sector combinations

Material Presented:

- Agenda Item 8.1 Issues Paper

Combinations UCC and NUCC (para. 19 – 24)

Staff Proposal:

- Primary distinction: Combinations UCC and NUCC
 - The ultimate controlling entity can determine the terms of the combination
- Combinations UCC
 - Single classification
 - A combination UCC does not result in changes to the resources controlled, obligations incurred or financial performance of the ultimate controlling entity
 - Accounting Treatment
 - Carrying amount with pooling of interests method

Combinations UCC and NUCC (para. 19 – 24)

Matter for Consideration 1.

- The IPSASB is asked to indicate whether it supports the staff recommendations that:
 - The **primary distinction** should be between combinations UCC and combinations NUCC;
 - That combinations UCC should form a **single classification** incorporating acquisitions UCC and amalgamations UCC classifications identified in the CP; and
 - That combinations UCC should be measured at **carrying amount** and accounted for using **the pooling of interests method**.

Acquisitions and Amalgamations NUCC (para. 25 – 33)

- Retain CP Definitions
- Provide Guidance on Determining Substance of Transaction
 - When does an entity gain control
- Number of Indicators
 - None conclusive (see slide 6)

Guidance Proposed for ED (para. 34 – 66)

- **Consideration**
 - Consideration indicates gaining control; absence inconclusive
- **Exchange Transaction**
 - Exchange transaction indicates gaining control; non-exchange inconclusive
- **Change in Sector**
 - Indicates gaining control; is not conclusive where more than one public sector entity (NUCC) is involved
- **Voluntary or Involuntary**
 - Assessment of terms is required
- **Operation of Public Sector**
 - Jurisdiction specific, contextual information, not conclusive

Acquisitions and Amalgamations NUCC (para. 25 – 33)

Matter for Consideration 2.

- The IPSASB is asked to indicate whether it agrees with the approach proposed by staff of including guidance on determining when one entity gains control of an operation or entity.

Matter(s) for Consideration 3.

- The IPSASB is asked to indicate whether it agrees with the staff conclusions about factors in slide 6

Respondents Suggestions Not Proposed for ED (para. 67 – 92)

- Political Control
- Market Price
- Distinction between Acquisitions NUCC and All Other Combinations
- Commercial Substance
- Operation of Government (Legislation, Decrees, Budget)
- Residual Financial Interest in Entity
- Entity is Involved in Directing Public Policy and/or Engaging in Non-Market Activity

Respondents Suggestions Not Proposed for ED (para. 67 – 92)

Matter(s) for Consideration 4.

The IPSASB is asked to indicate whether it agrees with the staff conclusions that factors in slide 8 should not be developed in the ED.

Joint Ventures (para. 97 – 99)

- Excluded from CP
 - Formation Differs from other Combinations
 - Raises Different Issues
- **Matter for Consideration 5.**
 - The IPSASB is asked **to confirm** its previous decision to exclude joint ventures from the scope of this project.

Next Steps (para. 100)

- Accounting Treatments
 - Including application of Pooling of Interests Method to Operations
- Measurement
- Terminology
- Presentation
- **Matter for Consideration 6.**
 - The IPSASB is asked **to note** the issues to be considered at future meetings.



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