27 February 2014

Ms Stephenie Fox
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International Public Sector Accounting Standards Board
International Federation of Accountants
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Dear Stephenie

Exposure Draft ED 48 Separate Financial Statements

Thank you for the opportunity to comment on the above Exposure Draft (ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the proposals and our comments follow.

CPA Australia and the Institute represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We were pleased to read that the International Public Sector Accounting Standards Board (IPSASB) has reaffirmed its policy of converging the International Public Sector Accounting Standards (IPSAS), to the extent appropriate, with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). Therefore, it is our expectation that IPSASB will only modify IFRS when there are unique public sector issues that would warrant such modifications. This approach promotes the goal of global standard setting and provides national standards setters such as Australia with financial reporting standards that can be used to support their reporting frameworks for both 'non-profit' entities and 'for profit' entities.

We generally support the proposals in the ED. However, in the absence of unique public sector issues that would warrant a divergence from IFRS, we would prefer the IPSASB to delay any revision to the standard so that its decision on its proposal to permit the use of the equity method in separate financial statements is aligned with the final decision of the IASB on its proposals to change its standard. The current proposal in the IPSASB ED is not consistent with current IFRS. We do appreciate that the IASB is currently reviewing IAS 27 with a view to changing the requirements in this same area. However, the IPSASB should not pre-empt these changes and should wait until the IASB has finalised any changes before incorporating them into a final standard.

The Appendix to this letter contains our response to the question for comment. If you require further information on any of our views, please contact Mark Shying, CPA Australia at mark.shying@cpaaustralia.com or Kerry Hicks, the Institute at kerry.hicks@charteredaccountants.com.au.

Yours sincerely

Alex Malley
Chief Executive
CPA Australia Ltd

Lee White
Chief Executive Officer
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Appendix

Specific Matter for Comment 1

Do you agree generally with the proposals for separate financial statements? In particular, do you agree with the proposal to permit the use of the equity method, in addition to cost or fair value, for investments in other entities?

IPSASB ED 48 proposes to replicate the existing IPSAS 6 *Consolidated and Separate Financial Statement*s options. An entity would be allowed to account for investments in subsidiaries, joint ventures and associates either at cost, as a financial instrument in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement*, or using the equity method in the entity's separate financial statements.

We note that this proposal is not consistent with the current version of IAS 27 *Separate Financial Statements,* as IAS 27 does not currently allow the equity method to be adopted in the entity's separate financial statements. However, the IASB has recently proposed that a revised IAS 27 include this equity method option (IASB ED /2013/10).

The reasons for the IPSASB decision to permit the use of the equity method in separate financial statements are explained in the Basis for Conclusions to ED 48 at paragraph BC5. These include meeting user needs, lower cost and that the equity method is a well-established method of accounting for certain investments in the public sector.

While the IPSASB has identified some reasons to permit the use of the equity method option, the reasons given are not unique to the public sector and are equally relevant to the private sector since the IASB has already exposed an amendment to the standard, with comments closing on this proposal 3 February 2014. In the absence of any identified unique public sector reasons for the use of the equity method option, we consider that the IPSASB, should not pre-empt decisions of the IASB and should wait until the IASB has finalised any changes before incorporating them into a final standard. In this way, the wording can be aligned to the IASB wording to avoid confusion and any unintended accounting outcomes that are not aligned to the principles of equity accounting.