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**Swiss Comments to  
Exposure Drafts 48 Separate Financial Statements, 49  
Consolidated Financial Statements, 50 Investments in Associates  
and Joint Ventures, 51 Joint Arrangements und 52 Disclosure of  
Interests in Other Entities**

Dear Stephenie,

With reference to the request for comments on the proposed Exposure Draft, we are pleased to present the Swiss Comments to Exposure Drafts 48 Separate Financial Statements, 49 Consolidated Financial Statements, 50 Investments in Associates and Joint Ventures, 51 Joint Arrangements und 52 Disclosure of Interests in Other Entities. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPPC



Prof Nils Soguel, President



Evelyn Munier, Secretary

Swiss Comments to Exposure Drafts 48 Separate Financial Statements, 49 Consolidated Financial Statements, 50 Investments in Associates and Joint Ventures, 51 Joint Arrangements und 52 Disclosure of Interests in Other Entities

## Swiss Comments to

# Exposure Draft Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports

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## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level. One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPSP has discussed Exposure Drafts 48 Separate Financial Statements, 49 Consolidated Financial Statements, 50 Investments in Associates and Joint Ventures, 51 Joint Arrangements and 52 Disclosure of Interests in Other Entities.

## 2. Comments to Exposure Drafts 48 Separate Financial Statements, 49 Consolidated Financial Statements, 50 Investments in Associates and Joint Ventures, 51 Joint Arrangements und 52 Disclosure of Interests in Other Entities

### 2.1. General Remarks

The SRS-CSPCP generally welcomes the drafting of 5 new standards on investments to replace the present Standards 6 – 8.

### 2.2. ED 48 Separate Financial Statements

#### Specific Matter of 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?***

The SRS-CSPCP generally agrees with the content of this ED. In Switzerland the demand for a uniform accounting method for all „investees“ is hardly applicable because frequently the entities being consolidated draw up their annual accounts in accordance with Swiss GAAP. In case the consolidated entities draw up their annual accounts in accordance with IFRS, a problem also arises when the chosen accounting options are different or if the entities chose very different Accounting Policies. However the issue may be the same if IPSAS are used. Therefore the SRS welcomes the proposal that in addition to valuation at cost or market value the equity method can be applied.

### 2.3. ED 49 Consolidated Financial Statements

#### General Remarks

The SRS-CSPCP wishes that the purpose of consolidation is clearly stated in the Introduction to the Standard: what is the purpose of the consolidation, what does consolidation provide in addition to the GPFS. For example it would be possible to include part of Sections BC 5 and BC 7 a in the Introduction to the Standard; of course with the necessary adjustments and additions.

### **Specific Matter of Comment 1**

***Do you agree with the proposed definition of control? If not, how would you change the definition?***

The SRS-CSPCP generally agrees with this definition. It notes, however, that the third criterion (the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity) causes some uncertainty, because a given tier of government can have only a regulatory control over an entity, but otherwise does not control the entity.

This makes the examples provided at the end of the exposure draft are very useful and helpful for the understanding of this ED. They should be retained without fail.

### **Specific Matter of Comment 2**

***Do you agree that a controlling entity should consolidate all controlled entities (except in the circumstances proposed in this Exposure Draft)? If you consider that certain categories of entities should not be consolidated, please justify your proposal having regard to user needs and indicate your preferred accounting treatment for any such controlled entities. If you have any comments about temporarily controlled entities, please respond to Specific Matter for Comment 3.***

The SRS-CSPCP generally agrees that all controlled entities must be consolidated. In justifiable and exceptional cases (based on objective criterion) it should be possible to refrain from consolidation. Such exemptions should be laid down in the legal basis (e.g. Budget Act or Budget Ordinance).

### **Specific Matter of Comment 3**

***Do you agree with the proposal to withdraw the exemption in IPSAS 6, Consolidated and Separate Financial Statements (December 2006) for temporarily controlled entities? If you agree with the withdrawal of the exemption please give reasons. If you disagree with the withdrawal of the exemption please indicate any modifications that you would propose to the exemption in IPSAS 6 (December 2006).***

The SRS-CSPCP agrees with the withdrawal of this exemption. Temporarily limited investments must also be consolidated, to prevent abuse.

### **Specific Matter of Comment 4**

***Do you agree that a controlling entity that meets the definition of an investment entity should be required to account for its investments at fair value through surplus or deficit?***

The SRS-CSPCP agrees with this statement.

## **Specific Matter of Comment 5**

*Do you agree that a controlling entity, that is not itself an investment entity, but which controls an investment entity should be required to present consolidated financial statements in which it (i) measures the investments of the controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 29, Financial Instruments: Recognition and Measurement, and (ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with this Standard?*

*Do you agree that the proposed approach is appropriate and practicable? If not, what approach do you consider would be more appropriate and practicable?*

The SRS-CSPCP agrees with this statement and is of the opinion that the proposed approach is appropriate and practicable.

## **Specific Matter of Comment 6**

*The IPSASB has aligned the principles in this Standard with the Government Finance Statistics Manual 2013 (GFSM 2013) where feasible. Can you identify any further opportunities for alignment?*

At present the SRS-CSPCP sees no further possibilities for alignment.

## **2.4. ED 50 Investment in Associates and Joint Ventures**

### **Specific Matter of Comment 1**

*Do you generally agree with the proposals in the Exposure Draft? If not, please provide reasons*

The SRS-CSPCP agrees with the content, but not with the structure of this ED. It is not clear why in this Standard reference is made to Associates and Joint Ventures and in ED 51 to Joint Arrangements. The split into a Standard "Associates" and a Standard "Joint Arrangements" would be desirable. As far as the SRS-CSPCP is concerned, the Standards do not necessarily have to follow the presentation of the IFRS. It is important above all that the Standard is comprehensible for the reader. The fact that the split of the IPSAS corresponds with that of the IFRS should not be a priority, because the group addressed by the IPSAS is frequently different from the one addressed by the IFRS.

Furthermore, the SRS-CSPCP asks itself why in Paragraph 26 (a) there is talk of a national Standard, when an international Standard exists.

### **Specific Matter of Comment 2**

*Do you agree with the proposal that the scope of the Exposure Draft be restricted to situations where there is a quantifiable ownership interest?*

The SRS-CSPCP agrees with this statement.

### **Specific Matter of Comment 3**

***Do you agree with the proposal to require the use of the equity method to account for investments in joint ventures? If not, please provide reasons and indicate your preferred treatment.***

The SRS-CSPCP agrees with this proposal. Valuation at cost or market value is too time consuming and in some cases not applicable. Valuation at cost or market value can be realised more simply, but it is not in accord with "true and fair"-reporting.

## **2.5. ED 51 Joint Arrangements**

### **General Remarks**

As already mentioned in the comments on ED 50, all Joint Arrangements should be treated in this Standard. All the elements of ED 50, which concern Joint Arrangements, should be included in this Standard.

### **Specific Matter of Comment 1**

***Do you agree that joint arrangements should be classified as joint ventures or joint operations based on whether an entity has (i) rights to assets and obligations for liabilities, or (ii) rights to net assets?***

Das SRS-CSPCP ist mit dieser Aussage einverstanden.

### **Specific Matter of Comment 2**

***Do you agree that joint ventures should be accounted for in consolidated financial statements using the equity method?***

The SRS-CSPCP agrees with this statement.

## **2.6. ED 52 Disclosure of Interests in Other Entities**

### **General Remarks**

The SRS-CSPCP notes that the demarcation of this ED (Paragraph 11, AG 6) from IPSAS 18 (Segment Reporting) is not clear. It would also be desirable to add an illustrative example.

### **Specific Matter of Comment 1**

***Do you agree the proposed disclosures in this draft Standard? If not, why? Are there any additional disclosures that would be useful for users of financial statements?***

The SRS-CSPCP agrees with the proposed disclosures and demands no additional disclosures. The SRS-CSPCP welcomes the fact that in Section 40ff the disclosure of non-consolidated entities is also governed.

## Specific Matter of Comment 2

*Do you agree with the proposal that entities for which administrative arrangements or statutory provisions are dominant factors in determining control of the entity are not structured entities? If not, please explain why and explain how you would identify entities in respect of which the structured entity disclosures would be appropriate.*

The SRS-CSPCP agrees with this proposal.

Lausanne, 18 November 2013