Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Commentary individual

Rio de Janeiro / Brazil

Sir

Chair and Steering Committee

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 CANADA

stepheniefox@ifac.org.

October 31, 2012

Public Sector Combinations

I´m Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS about Public Sector Combinations.

Guide for Respondents

The IPSASB welcomes comments on all of the matters discussed in this Consultation Paper. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The Preliminary Views for Comment in this Consultation Paper are provided below. Paragraph numbers identify the location of the Preliminary View in the text.

Preliminary View 1 (following paragraph 2.16)

A public sector combination is the bringing together of separate operations into one entity, either as an acquisition or an amalgamation.

The key definitions are as follows:

(a) An acquisition is a transaction or other event that results in a recipient gaining control of one or more operations.

(b) An amalgamation is a transaction or other event where (a) two or more operations combine, (b) none of the combining operations gain control of the other operations, and (c) the transaction or other event is not the formation of a joint venture.

(c) A combining operation is an operation that combines with one or more other operations to form the resulting entity.

(d) An operation is an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity's objectives, by providing goods and/or services.

(e) A recipient is the entity that gains control of one or more operations in an acquisition.

(f) A resulting entity is the entity that is the result of two or more operations combining where none of the combining operations gains control of the other operations.

(g) A transferor is the entity that loses control of one or more of its operations to another entity (the recipient) in an acquisition.

These paragraphs, letters a- g, are clear and rationale.

Preliminary View 2 (following paragraph 2.22)

A public sector combination under common control is a public sector combination in which all of the entities or operations involved are ultimately controlled by the same entity both before and after the public sector combination.

This paragraph 2.22 is clear and rationale, but I suggest if board agrees, consult local regulators for to know about entities or operations about common control of public sector. I think that in some countries the public sector has diversity types of companies, that I don´t know if can be impact for this standard.

Preliminary View 3 (following paragraph 3.13)

The sole definitive criterion for distinguishing an amalgamation from an acquisition is that, in an amalgamation, none of the combining operations gains control of the other operations.

I agree with this comments elaborated for IFAC Board about criterion for distinguishing an amalgamation from an acquisitions, I suggest for the Board some discussions elaborated for PCAOB.[1]

Preliminary View 4 (following paragraph 5.5)

An acquisition NUCC should be recognized in the financial statements of the recipient on the date the recipient gains control of the acquired operation.

In relation this point is very important consult local regulators, but I agree with recognized in the financial statements of the recipient on the date the recipient gains controls of the acquired operation[2].

Preliminary View 5 (following paragraph 5.46)

The recipient in an acquisition NUCC recognizes in its financial statements on the date of acquisition, the difference arising as:

(a) A gain where the recipient acquires net assets in excess of consideration transferred (if any); and

(b) A loss where the recipient assumes net liabilities.

I agree with these definitions, but for public sector is very important observed and consult local regulators for application and implementation of Business Combinations.

Preliminary View 6 (following paragraph 6.6)

An acquisition UCC should be recognized in the financial statements of the recipient on the date the recipient gains control of the acquired operation.

I agree with comments, but I don´t know if is possible for implementation in others jurisdictions, I suggest contact others regulators[3].

Preliminary View 7 (following paragraph 6.9)

The recipient in an acquisition UCC recognizes in its financial statements on the date of acquisition the carrying amounts of the assets and liabilities in the

---

1 http://pcaobus.org/Standards/Auditing/Pages/AU420B.aspx and http://pcaobus.org/Standards/Auditing/Pages/AU316a.aspx

2 http://www.ifrs.org/Archive/Documents/0605ifricob10v.pdf

3 http://www.ifrs.org/search/Pages/results.aspx?k=common%20control

acquired operation's financial statements, with amounts adjusted to align the operation's accounting policies to those of the recipient.

I agree with comments, but I don´t know if is possible for implementation in others jurisdictions, I suggest contact others regulators[4].

Preliminary View 8 (following paragraph 7.12)

A resulting entity in an amalgamation should apply the modified pooling of interests method of accounting.

I agree with comments, but I don´t know if is possible for implementation in others jurisdictions, I suggest contact others regulators[5].

Preliminary View 9 (following paragraph 7.15)

Where combining operations continue to prepare and present GPFSs using accrual-based IPSASs in the period between the announcement of the amalgamation and the date of the amalgamation, these GPFSs are prepared on a going concern basis where the resulting entity will fulfill the responsibilities of the combining operations.

I agree with comments, but I don´t know if is possible for implementation in others jurisdictions, I suggest contact others regulators.[6]

The Specific Matters for Comment requested in this Consultation Paper are provided below. Paragraph numbers identify the location of the Specific Matter for Comment in the text.

Specific Matter for Comment 1 (following paragraph 2.49)

In your view, is the scope of this CP appropriate?

For this moment is appropriate the scope of this CP, but I suggest if board agrees the consult EUROSTAT[7] and IASB[8] in relation Business Combinations and New Agenda of IASB, I don´t know if is need to increase or observed important considerations in this aspect.

---

[4] http://www.ifrs.org/Current-Projects/IASB-Projects/Annual-Improvements/Meeting-Summaries-and-Observer-Notes/Documents/AIP0901b7obs.pdf

[5] http://www.iasplus.com/en/news/2012/october/investment-entities-amendments and http://www.iasplus.com/en/othernews/ivsc/ivsc-issues-competency-framework-for-valuers

[6] http://xrb.govt.nz/includes/download.aspx?ID=124031

[7] http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations/ipsas

[8] http://www.ifrs.org/Current-Projects/IASB-Projects/Business-Combinations/Pages/Business-Combinations-II.aspx ; http://www.ifrs.org/Current-Projects/IASB-Projects/Common-Control-Transactions/Pages/Common-Control-Transactions.aspx; and http://www.ifrs.org/Current-Projects/IASB-Projects/IASB-agenda-consultation/Pages/IASB-agenda-consultation.aspx

Specific Matter for Comment 2 (following paragraph 2.49)

In your view, is the approach used in this CP of distinguishing between acquisitions and amalgamations, with a further distinction for PSCs NUCC and UCC, appropriate? If you do not support this approach, what alternatives should be considered? Please explain your reasoning.

Yes, I think that this approach used in this CP of distinguishing between acquisitions and amalgamations, is appropriate, but I think that in relation acquisitions and amalgamations has some considerations of others organizations, this year the PCAOB comments about Audit the future[9] and Business Combinations[10] if board agree[11].

Specific Matter for Comment 3 (following paragraph 3.13)

In your view, are there other public sector characteristics that should be considered in determining whether one party has gained control of one or more operations?

I think that every characteristics that should be considered in determining whether one party has gained control of one or more operations, but I don´t know if is possible, because the public sector has specific laws that can be impact this point, I suggest for the board that consult local regulators.

Specific Matter for Comment 4 (following paragraph 5.25)

In your view, should the recipient in an acquisition NUCC recognize in its financial statements, the acquired operation's assets and liabilities by:

(a) Applying fair value measurement to the identifiable assets acquired and liabilities assumed in the operation at the date of acquisition for all acquisitions (Approach A);

(b) Distinguishing between different types of acquisitions (Approach B) so that:

(i) For acquisitions where no or nominal consideration is transferred, the carrying amounts of the assets and liabilities in the acquired operation's financial statements are recognized, with amounts adjusted to align the operation's accounting policies to those of the recipient, at the date of acquisition; and

[9] http://pcaobus.org/News/Speech/Pages/06072012_HansonAICPA.aspx

[10] http://pcaobus.org/News/Releases/Pages/10222007_ReportIssuesIdentifiedinspectionsPublicCompanies.aspx

[11] http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Discussion-Paper-and-Comment-Letters/Comment-Letters/Documents/CL29.pdf

(ii) For acquisitions where consideration is transferred, fair value measurement is applied to the identifiable assets acquired and liabilities assumed in the operation, at the date of acquisition; or
(c) Another approach?
Please explain why you support Approach A, Approach B or another approach.

In relation this point I suggest for the board consult local regulators, but I observed that Approach A is complete, every organizations of public sector, need to make, but I have doubt if is possible, considering the problems in relations internal control, systems in the public sector considering transparency and clearly.

The Approach B is adequate considering that is separate the definitions and more easy, I don´t know of internal control and modify internal laws about public sector. So, I suggest in the first time or integrated a form that consolidated the both methods or use Approach B.

Specific Matter for Comment 5 (following paragraph 5.46)
In your view, where the consideration transferred is in excess of the net assets acquired, should the difference arising in an acquisition NUCC (for both Approach A and Approach B, acquisitions where consideration is transferred) be recognized in the recipient's financial statements, on the date of acquisition, as:
(a) Goodwill for acquisitions where the acquired operation is cash-generating and a loss for all other acquisitions;
(b) Goodwill for all acquisitions (which would require development of a definition of goodwill that encompasses the notion of service potential); or
(c) A loss for all acquisitions?
Please explain why you support (a), (b), or (c).

In relation this point I suggest for the board consult local regulators, but I observed that Approach A is complete, every organizations of public sector, need to make, but I have doubt if is possible, considering the problems in relations internal control, systems in the public sector considering transparency and clearly.

The Approach B is adequate considering that is separate the definitions for goodwill and more easy, I don´t know of internal control and modify internal laws about public sector. So, I suggest in the first time or integrated a form that consolidated the both methods or use Approach B.

Specific Matter for Comment 6 (following paragraph 6.26)
In your view, should the recipient in an acquisition UCC recognize in its financial statements, on the date of acquisition, the difference arising as:

(a) A gain or loss recognized in surplus or deficit (in the statement of financial performance);
(b) A contribution from owners or distribution to owners recognized directly in net assets/equity (in the statement of financial position); or
(c) A gain or loss recognized directly in net assets/equity (in the statement of financial position), except where the transferor is the ultimate controlling entity and then the gain or loss meets the definition of a contribution from owners or distribution to owners?
Please explain why you support (a), (b), or (c).

I think that letter b is more adequate in this moment, after a new structure that public sector will be make for implementation new standards I agree with letter a that need to be system elaborated with internal control adequate for these informations with transparency and quality dates.

Specific Matter for Comment 7 (following paragraph 6.31)
In your view, should the accounting treatment for the recipient and transferor of an acquisition UCC be symmetrical?

Yes, I think that the accounting treatment for the recipient and transferor of an acquisition UCC be symmetrical, I suggest for the board if agrees[12].

Thank you for opportunity for comments this proposal, if you have questions don´t hesitate contact to me, rio1042370@terra.com.br.

Yours,

Denise Silva Ferreira Juvenal
rio1042370@terra.com.br
552193493961

[12] http://www.iasplus.com/en/news/2012/october/iasb-updates-work-plan-for-recent-decisions