CIPFA The Chartered Institute of Public Finance & Accountancy

3 Robert Street, London WC2N 6RL
T: 020 7543 5600 F: 020 7543 5700
cipfa.org.uk

Our ref: Responses/090817 SC0120

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2 CANADA

By email to: EDComments@ifac.org, StephenieFox@ifac.org

17 August 2009

Dear Stephenie Fox

IPSASB Exposure Drafts

ED 40 'Intangible Assets'

ED 41 'Entity Combinations from Exchange Transactions'

CIPFA welcomes the opportunity to comment on this exposure draft, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary.

The EDs are based on IAS 38, and IFRS 3 modified using the IPSASB's 'public sectorization' approach. They also include similarly modified SIC material in to bring together a coherent body of guidance. In addition to the 'public sectorization' of terminology and examples, the Exposure Drafts extend the scope of the proposed standards to encompass public sector cases for which the treatment is similar to the standard private sector practice, and limit the scope to exclude cases where it is not clear that the IFRS approach is appropriate.

We agree with this approach. In general we agree that the public sectorization is helpful, and the additional material is appropriate and should be reflected in the IPSAS as proposed. However, we have some specific observations to make on the transitional provisions to ED 40, which differ from those in IAS 38 without a specific public sector reason. Details are provided in the attached Annex

I hope this is a helpful contribution to IPSASB's finalisation of the standards.

Yours sincerely

Steven Cain

Policy and Technical Directorate, CIPFA

t: +44 (0)20 7543 5794

e: steven.cain@cipfa.org

ED 40 Specific Matters for Comment

Do you agree that the changes made to IAS 38, in particular the scope exclusions set out in paragraphs 2 and 4, and the additional public sector guidance are:

- *Necessary in the circumstances?*
- *Appropriately reflected in* the *revised wording?*

We agree that most of the changes made to IAS 38 are necessary to provide coherent guidance for the public sector context, and appropriately reflected in the revised wording.

Transitional Provisions

It is not clear to us that the transitional provisions are appropriate for an IFRS converged standard.

ED 40, paragraph 144 allows the use of fair value as a proxy for cost where reliable cost information is not available, explaining that the transitional provisions are consistent with IPSAS 17 'Property, Plant and Equipment'. This differs from the transitional provisions in IAS 38 which are more restrictive than those in the IASB standard IAS 16 'Property, Plant and Equipment', and only allow retrospective recognition of assets for which reliable cost data is available. Paragraph 144 also seems to override the text in ED 40, paragraph 140, which echoes the IAS 38 drafting by requiring that assets satisfy the identifiability and reliable measurement criteria in ED 40, paragraph 30. The reliable measurement criterion in sub-paragraph 30 (b) has been widened to include 'the cost or fair value of the asset, as appropriate' but in this context, the fair value option is only available for assets acquired in non-exchange transactions.

We agree that there is a public sector specific issue in relation to assets obtained in non-exchange transactions, and that these assets should be valued on a fair value basis. However for other assets the ED does not provide any public sector reason for different treatment: we therefore suggest that for such assets it would be appropriate to maintain an IFRS converged approach and use the same reliability criterion as IAS 38 in the transitional provisions.

Drafting points

Paragraph 144 includes wording based on transitional provisions in IPSAS 17 'Property, Plant and Equipment' and refers to property, plant and equipment. This reference appears to be incorrect, and should be reframed to refer to intangible assets.

We also suggest that the heading 'Recognition and Measurement at Recognition', while accurate is confusing. This could be more helpfully expressed as 'Recognition and Initial Measurement'.