

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

Dear Stephanie,

ED 49 Consolidated Financial Statements

The Accounting and Auditing Standards Desk of the Abu Dhabi Accountability Authority (ADAA) is pleased to provide a response to the International Public Sector Accounting Standards Board (IPSASB) request for comments on ED 49. We are fully supportive of the IPSASB's objectives to enhance the quality and consistency of financial reporting of Public Sector Entities (PSEs) and improve the transparency and accountability of government reporting.

General Comment

We welcome the change to the scope exemptions from the requirement to prepare consolidated financial statements, and the focus on the information needs of users.

Our comments on the specific question asked by the IPSASB are as follows:

Specific Matter for Comment 1:

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

We agree with the proposed definition and welcome the additional guidance given in the public sector context.

Specific Matter for 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.

We agree that a controlling entity should consolidate all controlled entities (except in the circumstances proposed in this Exposure Draft).

Specific Matter for 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).

We agree with the proposal to withdraw the exemption in IPSAS 6 for temporarily controlled entities. The concept of an exemption does not sit well within the control principle of the standard. Control, is control. If control is for a short period of time there is a reason for it. Removal of the exemption ensures that the financial statements provide a complete record of all the transactions of the group of entities and provides a more consistent approach for public sector entities.

Specific Matter for 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?

We 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. For these types of investments, Management makes their decisions and resource allocations based on the investments fair value.

We welcome the additional guidance on when an entity would be considered an investment entity in the public sector context.

Specific Matter for 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?

We agree with this proposed approach and believe it is an appropriate and practical solution.

Specific Matter for 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?

No comment.

Yours faithfully

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