

27 February 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Email: stepheniefox@ifac.org

Dear Stephenie

Exposure Draft ED 50 Investments in Associates and Joint Ventures

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. Such an 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. However, we recommend that guidance is developed for use when an entity retains an interest in a former associate or joint venture that is a financial asset and published quotations are not available. This guidance could be used on an interim basis, until the IPSASB decides to incorporate IFRS 13 *Fair Value Measurement* into its standards.

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



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Specific Matter for Comment 1

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

Yes, we are in general agreement with the proposals. However, we are concerned with the proposal to include additional words in the paragraph on discontinuing the use of the equity method to those included in IAS 28. ED 50 paragraph 26(b) says that when the retained interest in a former associate or joint venture is a financial asset, fair value will be used unless there are no published price quotations, whereby, the carrying amount of the investment at the date of discontinuing the equity method is used.

We acknowledge that the IPSASB literature does not include a standard equivalent to IFRS 13 *Fair Value Measurement*. However, it is our understanding that there are occasions when under IFRS 13 the best measure of fair value is cost. Therefore, we consider the words added to paragraph 26(b) simply describe fair value in a particular situation where a cost measure is to be used as the input to the valuation technique used to measure fair value. We do not see this as a unique public sector issue and accordingly we do not believe the final standard should depart from IAS 28. Instead, if the IPSASB believed this material was important we would support its inclusion as guidance, to address the issue, until the IPSASB releases a fair value measurement standard equivalent to IFRS 13.

Specific Matter for 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?

Yes, we agree with the proposal.

The IAS 28 equity method presents information about the investor's share of the investee's net assets and the share of its profit or loss. The quantum of the ownership interest in the investee and the degree of influence over the investee are the critical factors in applying the equity method. The IPSASB considers there may be occasions in the public sector when there is no quantifiable ownership interest. We support this rationale as we do not believe that this situation will exist in the private sector when an entity is within the scope of IAS 28.

Specific Matter for 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.

Yes, we agree with the proposal to require the use of the equity method to account for investment in joint ventures.