



February 26, 2014

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

**Re: Exposure Drafts on Interests in Other Entities**

Dear Stephenie,

Overall, we welcome the changes proposed in Exposure Drafts (EDs) 48 to 52 to replace IPSASs 6 to 8. We found the public sector terminologies, examples and paragraphs appropriate modifications to the related IFRSs.

Regarding the proposed requirement to consolidate all controlled entities except the investment entities in ED 49 "Consolidated Financial Statements," we understand that IPSASB came to the conclusion of not exempting government business enterprises (GBEs) from line-by-line consolidation after deliberation of both sides of the argument.

Our experience indicates that consolidating GBEs using a modified equity method works well in practice. Given the business and self-sustaining nature of GBEs in Canada, this method of consolidating GBEs produces useful information in the consolidated financial statements for users to assess accountability.

We understand that the definition of GBEs in our standards differs from IPSASB's definition. We suggest that IPSASB reconsider whether consolidating GBEs on a line-by-line basis remains the best solution once the project to review the current definition of GBEs is completed.

We thank you for the opportunity to comment and look forward to the publication of the final IPSASs of these EDs. Please note that the views in this letter and the appendices are those of staff and do not represent the views of the Public Sector Accounting Board

Sincerely,

Lydia P. So

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## **APPENDIX A: Responses to Specific Matters for Comment**

### **Exposure Draft 48 Separate Financial Statements**

#### **Specific Matter for Comment 1**

*Do you agree 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?*

Agree.

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## **APPENDIX B: Responses to Specific Matters for Comment Exposure Draft 49 Consolidated Financial Statements**

### **Specific Matter for Comment 1**

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

Agree.

### **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 understand that IPSASB came to the conclusion of not exempting government business enterprises (GBEs) from line-by-line consolidation after deliberation of both sides of the argument.

Our experience indicates that consolidating GBEs using a modified equity method works well in practice. Given the business and self-sustaining nature of GBEs in Canada, this method of consolidating GBEs produces useful information in the consolidated financial statements for users to assess accountability.

We understand that the definition of GBEs in our standards differs from IPSASB's definition. We suggest that IPSASB reconsider whether consolidating GBEs on a line-by-line basis remains the best solution once the project to review the current definition of GBEs is completed.

### **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 withdrawal of the exemption and the rationale provided in paragraph BC 11.

### **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?*

Agree.

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### **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?*

Agree with both.

### **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.

### **Editorial**

In Flowchart 2 on page 66, the decision box on the right does not fit as it has the same question as the second box on the left.

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## **APPENDIX C: Responses to Specific Matters for Comment**

### **Exposure Draft 50 Investments in Associates and Joint Ventures**

#### **Specific Matter for Comment 1**

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

Agree.

#### **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?*

Agree.

#### **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.*

Agree.

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## **APPENDIX D: Responses to Specific Matters for Comment**

### **Exposure Draft 51 Joint Arrangements**

#### **Specific Matter for 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?*

Agree.

#### **Specific Matter for Comment 2:**

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

Agree.

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## **APPENDIX E: Responses to Specific Matters for Comment Exposure Draft 52 Disclosure of Interests in Other Entities**

### **Specific Matter for 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?*

Agree.

### **Specific Matter for 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.*

Agree.