Public Sector Combinations: An Introduction to Exposure Draft 60

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Public Sector Combinations: An Introduction to ED 60

Project History

ED 41
(Exchange Only)
Public Sector Combinations: An Introduction to ED 60

Public Sector Combinations

The bringing together of separate operations into one entity

Restructurings of central government ministries
Reorganizations of local or regional governments
Transfers of operations from one government to another.
Nationalizations: Purchases Seizures Bailouts
Transactions that do not include operations
Joint ventures
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Classification

• Amalgamation or Acquisition
• Control essential for acquisition, but not conclusive
• Rebuttable presumption
  – Consideration
  – Decision Making

Does one party to the public sector combination gain control of operations?

Yes

Is the presumption (that a public sector combination in which one party gains control of operations is an acquisition) rebutted?

No

Amalgamation

Acquisition
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Rebuttable Presumption

- **Consideration**
  - Other than to compensate for transfer of net assets
  - No consideration paid
  - No (former) owners

- **Decision Making**
  - Under common control
  - Imposed by third party
  - Approval by referenda
Key Definitions

Operation
- 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.

Amalgamation
- Gives rise to a resulting entity and is either:
  - A public sector combination in which no party to the combination gains control of one or more operations; or
  - A public sector combination in which one party to the combination gains control of one or more operations, and in which the presumption that such a combination is an acquisition is rebutted.

Acquisition
- A public sector combination in which one party to the combination gains control of one or more operations, and in which the presumption that such a combination is an acquisition is not rebutted.
Key Definitions

**Operation**
- Entity
- Function
- Geographical Area

**Amalgamation**
- Restructures of Government ministries
- Combinations of Municipalities

**Acquisition**
- Transfers of operations between different Governments
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Accounting for Amalgamations and Acquisitions

- Modified Pooling
- Net Assets / Equity
- Amalgamation
- Residual Amount
- Carrying Amount
- Resulting Entity
- Recognized by Combining Operations
- Acquisition Method
- Acquirer
- Goodwill, Loss or Gain
- Acquisition
- Difference
- Fair Value
- Identifiable Assets and Liabilities
- Acquirer
- Identifiable Assets and Liabilities
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# Accounting for Amalgamations and Acquisitions

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<th>Amalgamations</th>
<th>Acquisitions</th>
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<tr>
<td><strong>Method</strong></td>
<td>Modified Pooling</td>
<td>Acquisition</td>
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<tr>
<td><strong>Entity</strong></td>
<td>Resulting Entity</td>
<td>Acquirer</td>
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<tr>
<td><strong>Assets and Liabilities Recognized</strong></td>
<td>Those recognized by combining operations</td>
<td>Identifiable assets and liabilities</td>
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<td><strong>Measurement</strong></td>
<td>Carrying Amount</td>
<td>Fair Value</td>
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<td><strong>Difference between consideration (if any), assets and liabilities transferred</strong></td>
<td>Residual amount recognized in Net Assets/Equity</td>
<td>Goodwill (consideration); Loss; Gain on Bargain Purchase</td>
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Project Timeline

- **January 2016**
- **Ends June 30, 2016**
- **IPSASB Meeting September 2016**
Questions Discussion & Further Information

- Visit our webpage http://www.ipsasb.org/
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