

THE ANNUAL INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) WEEK & IPSAS WEEK

IPSAS 40: Public Sector Combinations

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IPSAS 40-Public Sector Combinations



- Bringing together of separate operations into one public sector entity
- Provides for two types of public sector combinations:
 - (a) amalgamations; and
 - (b) acquisitions.

Scope of IPSAS 40



“Applicable to entities that prepare financial statements under accrual basis of accounting.

Naturalizations; Purchases, Seizures and bailouts

Reorganisations of local or regional governments

Transfer of operations from one government to another

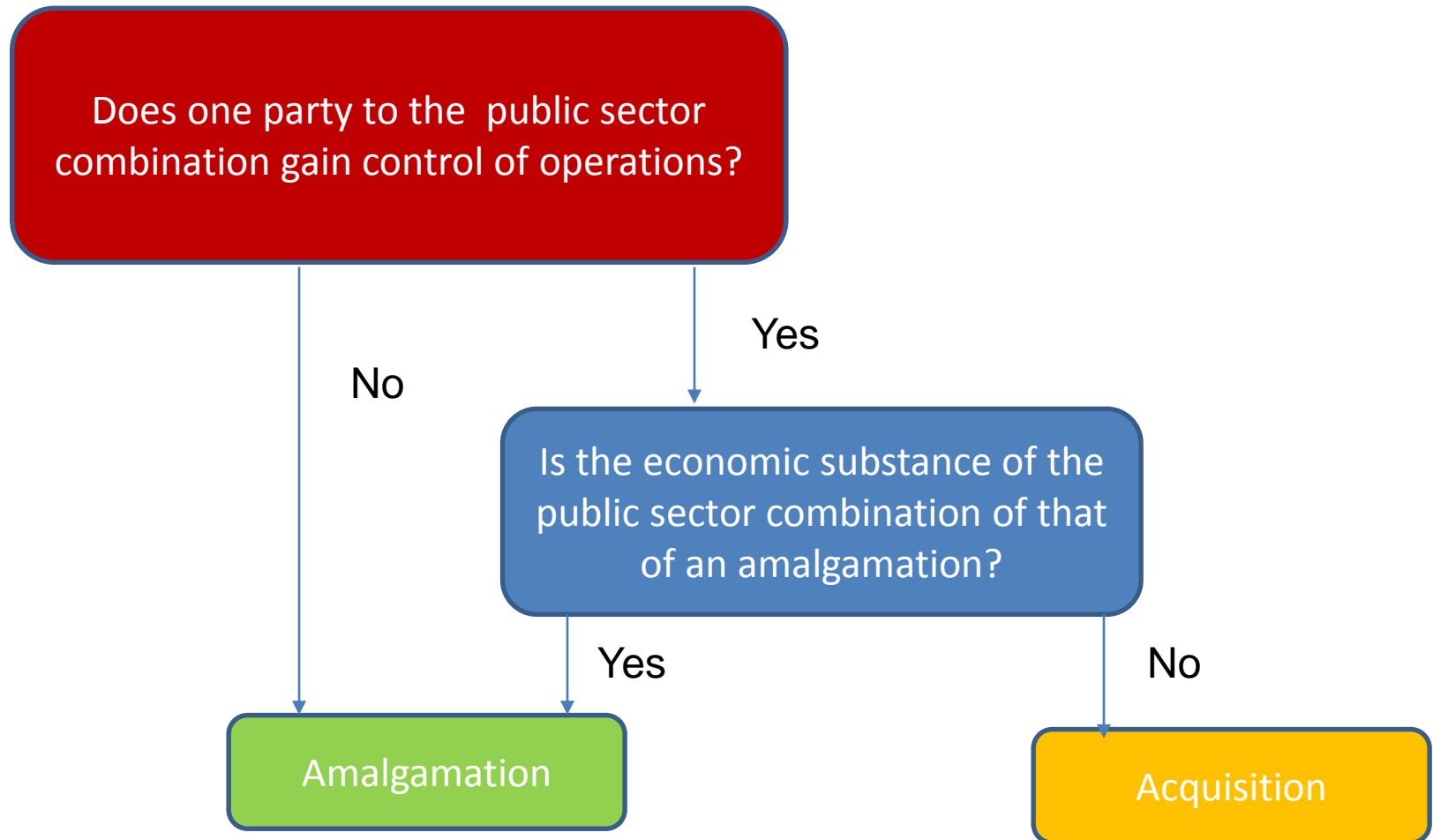
Restructuring of central government ministries

Outside Scope of IPSAS 40



- Transactions that do not include operations
- Join Arrangements

Classification of Business Combination



Economic Substance



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

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 there is evidence that the combination has the economic substance of an amalgamation

A public sector combination in which **one party to the combination gains control of one or more operations**, and there is evidence that the combination is not an amalgamation

Accounting for Business Combinations



	Amalgamation	Acquisition
Method	Modified Pooling	Acquisition
Perspective	Perspective of each of the combining operations and their owners	Perspective of the Acquirer
Entity	Resulting Entity	Acquirer
Assets and Liabilities Recognized	Those recognized by Combining Operations	Identifiable assets and liabilities
Measurement	Carrying Amount	Fair Value
Difference between consideration (if any) assets and liabilities transferred	Recognised in Net Assets/ Equity Components not specified	Goodwill (consideration) Loss: Gain on Bargain Purchase

Issued

- January 2017

Effective
Date

- Reporting periods beginning on or after January 1, 2019(early application permitted)

Application

- Applied prospectively, no restatement



Questions

