



# FINANCIAL REPORTING COUNCIL OF NIGERIA

*Federal Ministry of Industry, Trade and Investment*

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Paul Mason/Joao Fonseca (Project Officers)  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 5<sup>th</sup> Avenue  
New York, New York 10017  
United State of America  
Submitted electronically

Dear Joao Fonseca,

## **RE: EXPOSURE DRAFT 60, PUBLIC SECTOR COMBINATIONS**

The Financial Reporting Council (FRC) of Nigeria welcomes the idea of issuing a standard on Public Sector Combinations (ED 60). In the light of this, the Council sent out letters to various entities especially public sector entities, professional accountancy bodies, audit/accountancy firms and other entities that use IPSASs in Nigeria.

The following entities sent their responses which the Council collated:

1. The Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN)
2. KPMG Professional Services, Nigeria
3. Office of the State Auditor-General Cross River State of Nigeria

In view of the responses received from the above entities, the Council put forward the following comments on the proposed standard.

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

Do you agree with the scope of the Exposure Draft? If not, what changes to the scope would you make?

### **Comments**

The Council agrees with the scope of ED 60 as it includes all transactions and other events that meet the definition of public sector combinations, especially as they relate to amalgamation and acquisition in the public sector.

*...the conscience of regulatory assurance*



## **2. Specific Matter for Comment 2**

Do you agree with the approach to classifying public sector combinations adopted in this Exposure Draft (see paragraphs 7-14 and AG10-AG50)? If not, how would you change the approach to classifying public sector combinations?

### **Comments**

The Council agrees with the approach to classification of Public Sector Combinations by ED 60 as either acquisition or amalgamation. However, the Council suggests that IPSASB should amend the definition of Public Sector Combinations to clearly reflect situations in which control is obtained by one party to a public sector combinations i.e. where the presumption that such a combination is an acquisition is rebutted (an amalgamation); and where the presumption that such a combination is an acquisition is not rebutted (an acquisition). The Council also suggests a clarity on "the bringing together" phrase in the definition of a public sector combinations as it focuses more on amalgamation than on acquisition. The Council also suggests that the phrase, "resulting entity" should be redefined to accommodate situation when one of the entity gains control in a public sector combinations.

## **3. The Specific Matter for Comment 3**

Do you agree that the modified pooling of interests method of accounting should be used in accounting for amalgamations? If not, what method of accounting should be used?

### **Comment**

The Council agrees with the modified pooling of interest method of accounting for amalgamations, however, the definition of the "amalgamation date" should be amended to clearly incorporate amalgamation in which no party gain control of one or more operations in the combinations. The guidance on exceptions to the recognition or measurement principles should be more principle base.

There is a need to include specific guidance in the ED 60 on how the comparative information for the "resulting entity" should be derived in its first financial statements, since it is a new entity.

The Council agrees that ED 60 should clearly indicate whether the first financial statements of the resulting entity in the case of the amalgamation should have comparative information or not.

## **4. Specific Matter for Comment 4**

Do you agree to adjustments being made to the residual amount rather than other components of net assets/equity, for example the revaluation surplus? If not, where should adjustments be recognized?



- (a) In the case of an amalgamation under common control, as an ownership contribution or ownership distribution, and
- (b) In the case of an amalgamation not under common control, directly in net assets/equity? If not, where should the residual amount be recognized.

**(c) Comment**

The Council agrees that the resulting entity should recognize the corresponding adjustments on the bases of the nature of the events or transactions that gave rise to those adjustments; for example if an adjustment relates to an item of Property, Plant and Equipment (PPE) carried under the revaluation policy, the corresponding adjustment should be made to a revaluation reserve.

Furthermore the Council suggests that the resulting entity should include a reconciliation note in the financial statements explaining all the amalgamation date adjustments made to both the equity and other components of net assets/equity.

In both cases of amalgamation under common control and amalgamation not under common control the Council agrees that residual amount arising from amalgamation should be recognized directly in nets assets/equity.

**5. Specific Matter for Comment 5**

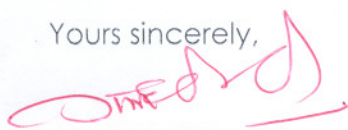
Do you agree that the acquisition method of accounting (as set out in IFRS 3, Business Combinations) should be used in accounting for acquisitions? If not, what method of accounting should be used?

**Comment**

The Council agrees but suggests that the ED 60 should be amended to reflect the peculiarities of public sector entities, such that its (Public Sector Combinations) costs will not outweigh its benefits.

If you require any further information or clarification please contact the Executive Secretary/Chief Executive Officer on (234) 1-7937405 or [joobazee@financialreporting council.gov.ng](mailto:joobazee@financialreporting council.gov.ng)

Yours sincerely,



**JIM OBAZEE**  
Executive Secretary/CEO