anan
ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA
Founded in 1979 and chartered by Act No. 76 of 1993

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Our Ref: **Your Ref:** **June 24, 2016**

Dear Sir,

Association of National Accountants of Nigeria is very pleased to comment on Exposure Draft 60 (Public Sector Combinations).

Association of National Accountants of Nigeria (ANAN) is a statutorily recognized professional accountancy body in Nigeria. The body is charged among others, with the duty of advancing the science of accountancy.

The Association was formed on 1st January, 1979 and operate under the ANAN Act 76 of 1993(Cap A26 LFN 2004), working in the public interest. The Association regulates its practicing and non-practising members, and is overseen by the Financial Reporting Council of Nigeria.

ANAN members are more than 21,000, they are either FCNA OR CNA and are found in business, practice, academic and public sector in all the States of Nigeria and Overseas. The members provide professional services to various users of their services.

ANAN is a member of the International Federation of Accountants (IFAC), International Association for Accounting Education & Research (IAAER), The Pan African Federation of Accountants (PAFA), and Associate of Accountancy Bodies in West Africa (ABWA).

RESPONSE TO THE EXPOSURE DRAFT 60 ON PROPOSED PUBLIC SECTOR COMBINATIONS.

Our responses to specific matters for comments (1-4) are set out below:

Our Response:

1. The Association considers the scope of this Exposure Draft adequate because it covers a wider range of public sector combination issues incorporating both PSCs and GBEs. The exclusion principles adopted by IPSASB in relation to the scope are also considered appropriate since other IPSASs sufficiently cover those issues.

We are therefore not recommending any changes to the scope of this Exposure Draft.

2. ANAN absolutely agrees with the approach to classifying public sector combinations adopted in this Exposure Draft. This is because IPSAB substantially addressed the concerns raised by various respondents to the consultation papers issued in

June, 2014. The classification not only dealt with the indicators of control as major determinant of PSCs but also considered other factors to supplement control. More importantly, the classification took into consideration the economic substance as well as the qualitative characteristics of financial reporting in GPFRs especially the qualitative characteristics of comparability relevance and faithful representation of financial information.

3 Given the framework for identifying and classifying PSCs in the ED, we support the IPSASB position that the Modified Pooling of Interest Method provides the best accounting treatment of operations that satisfy the definition of amalgamation. The Pooling of Interest Method tends to strike a balance between the Conventional (Unmodified) Pooling of Interest Method and the Fresh Start Method by using the date of amalgamation as the appropriate reporting date in the statement of financial position (as in Fresh Start Method) and carrying amount in valuing assets and liabilities as in the Conventional or Unmodified Pooling of Interest Method.

In addition, the Modified Pooling of Interest Method has several advantages, this includes:

i. It significantly improves the provision of information for decision making purposes and accountability in the use of resources.
ii. It also meets the qualitative characteristics of comparability, relevance, and faithful representation.
iii. It is cost effective which satisfies the GPFRs constraints of cost-benefits.

The above advantages will facilitate universal application of the proposed standard across jurisdictions.

4. Given the justification for the choice of the Modified Pooling of Interest Method, the Association believes that it will be appropriate to make adjustment to residual amount rather than other components of net assets/equity. This is because the Modified Pooling of Interest Method in most instances eliminates automatically the effect of transaction between combining operations in their accumulated surplus/deficit after the amalgamation date. In addition, where assets and liabilities are involved, the effects may not be automatically eliminated. However, both the assets and liabilities are eliminated by a resulting entity after due recognition of the difference between them.

ANAN is also of the opinion that this adjustment do not fit into the category of other components of net assets/equity and therefore the adjustments can only be made to residual amount.

Furthermore, ANAN believes that the treatment described above meets the qualitative characteristics of comparability, relevance and faithful representation.

4 (a) In the case of amalgamation under common control, the Association is of the opinion that the residual amount arising from amalgamation should be recognised as ownership contribution or ownership distribution. However, the Association believes that these items can conveniently be recognised and appropriate adjustment made under share capital reserve in the GPFR of the resulting entity at the amalgamation date.

4 (b) In line with our opinion on 4(a) above, the resultant residual amount arising from amalgamation not other common control should be recognised in net assets/equity. This treatment is in tandem with the Modified Pooling of Interest Method.

5. ANAN agree with the conclusion of the IPSASB that the acquisition method of accounting (as set out in IFRS 3, Business Combinations) should be used in accounting for PSCs that satisfy the definition of acquisition subject to some amendments that include additional guidance on transaction of non-exchange nature (not specifically addressed in IFRS 3) and detailed requirements in relation to accounting treatment of for example income taxes and share based payments which have no IPSAS equivalent. This will no doubt enhance the qualitative characteristics of information contained in GPFR and strengthened transparency and accountability of public sector finances.

General Matters

a. Paragraph 9 line 5 should read "an" instead of "and"

b. It has already been established that amalgamation cannot give rise to control as in page 119 - BC 63, 65 and 66 need to be reconcile with BC 20.

c. The term "Controlling Entity" should be clearly defined as it is currently omitted from the definition section.

Yours faithfully,
ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA

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Registrar/Chief Executive