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Mr Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
CANADA

Dear Mr Smith

**ED 79 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to respond to this Exposure Draft.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises senior accounting policy representatives from all Australian states and territories and the Australian Government.

HoTARAC supports the adoption of a standard similar to that issued by the International Accounting Standards Board as IFRS 5.

However, there are several matters we would like to draw to your attention to, either from our knowledge of the public sector, or from our practical experience in applying the Australian equivalent to IFRS 5.

1. Paragraph 26 is difficult to interpret. HoTARAC jurisdictions have had differences of opinion with other stakeholders about whether this requires assets to be revalued immediately prior to the classification as held for sale, resulting in confusion about whether the whole class of assets to which the held-for-sale asset previously belonged needs to be revalued (asset revaluations are required to be class-wide under paragraph 51 of IPSAS 17, rather than for individual assets).

2. Paragraph 41 requires several disclosures for “major operations”. This term is not defined and has historically in practice led to a variety of interpretations, resulting in disclosures about operations that are not material to the financial statements. HoTARAC recommends that “major operation” be defined as being financially significant, or material.

3. Similarly, ED 79 uses different terms from IFRS 5. An example is that ED 79 uses the term “public sector combinations” instead of “business combinations”. This might confuse some readers. Our experience is that we can apply IFRS 5 in the public sector, notwithstanding its use of language is not specific to the public sector.

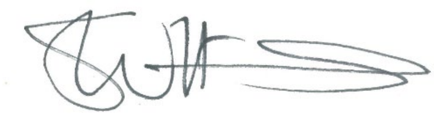
4. Paragraph 52 of the ED introduces an additional disclosure where there is a material difference between fair value and carrying amount. It is not obvious to HoTARAC why this disclosure would not already be made, under the measurement provisions of paragraphs 22-29 combined with disclosure requirements of other standards such as those applying to impairment and property, plant and equipment. If the proposal

does duplicate existing disclosures, it should be removed. If it does not duplicate existing disclosures, the Basis for Conclusions (paragraph BC12) should contain additional supporting explanation. Paragraph BC10 also refers.

5. The proposed standard applies to assets for sale and those that are to be abandoned. HoTARAC believes that the proposed standard should also address situations where an asset is to be donated to an unrelated entity, other than through a business combination (or “public sector combination”). This circumstance occurs more frequently in the public-sector than in other sectors. The term ‘abandoned’ is not adequate terminology for such situations.

6. The proposed standard adopts the IFRS 5 requirements for an asset to be classified as held for sale. While HoTARAC is not advocating for any specified change to this, our view is that IPSASB should re-consider whether the classification rules apply equally well in the public sector. For example, the “one year” rule might be less appropriate. Paragraphs BC8 of IPSAS 14 and BC 19 of IPSAS 26 also refer.

Yours sincerely,



Stewart Walters
CHAIR
Heads of Treasuries’ Accounting and Reporting Advisory Committee
5 October 2021