



BUILDING A BRIDGE TO A BRIGHTER AFRICA

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The International Public Sector Accounting Standards Board (IPSASB)

Website submission

PREFACE

The Pan-African Federation of Accountants (PAFA), is the continental body representing Africa's professional accountants. Our objective is to accelerate the development of the profession and strengthen the voice of the accountancy profession within Africa and worldwide.

In its unique regional capacity to facilitate PAOs and present a unified position of the profession, PAFA presents below comments on Exposure Draft 66 issued by the International Public Sector Accounting Standards Board (IPSASB) titled *Long-term Interests in Associates and Joint Ventures* (Amendments to IPSAS 36) and *Prepayment Features with Negative Compensation* (Amendments to IPSAS 41).

PART 1: LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES (AMENDMENTS TO IPSAS 36)

The objective of Part 1 of this Exposure Draft is to propose amendments to IPSAS to converge with the narrow-scope amendments to IAS 28, *Investments in Associates and Joint Ventures*, made by the IASB in *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) (issued October 2017).

IPSAS Addressed:

IPSAS Standard	Summary of Proposed Change
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Clarify that IPSAS 41, <i>Financial Instruments</i> , including its impairment requirements, applies to long-term interests in associates and joint ventures.

PAFA response:

We are in agreement with the addition of Paragraphs 20A and 51F – 51I and deletion of paragraph 44 forming part of amendments to IPSAS 36, *Investments in Associates and Joint Ventures*.

PART 2: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENTS TO IPSAS 41)

The objective of Part II of this Exposure Draft is to propose amendments to IPSAS to converge with the narrow-scope amendments to IFRS 9, *Financial Instruments*, made by the IASB in *Prepayment Features with Negative Compensation* (Amendments to IFRS 9) (issued October 2017).

IPSAS Addressed:

IPSAS Standard	Summary of Proposed Change
IPSAS 41, <i>Financial Instruments</i>	Amend the classification requirements so that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at fair value through surplus or deficit.

PAFA response:

We are in agreement with the addition of Paragraphs 156A, 184 – 189 and AG74A and amendment of Paragraphs AG73 (b) and AG74 (b) of the proposed amendments to IPSAS 41, Financial Instruments. Further, we propose additional wordings to Paragraph 188 as highlighted below:

188. An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight and the restated financial statements reflect all the requirements in this Standard. If an entity does not restate prior periods, the entity shall recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening accumulated surplus or deficit (or other component of net assets/equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments. Adequate disclosures in form of notes to the financial statements shall be made to show how the restated amounts for prior periods (if so adopted) have been arrived at.

PAFA further proposes the addition of the highlighted wording to Paragraph BC45 of the proposed Basis of Conclusion as outlined below:

BC45. The IPSASB reviewed the revisions to IFRS 9, Financial Instruments, included in Prepayment Features with Negative Compensation (Amendments to IFRS 9), issued by the IASB in October 2017, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments. The adoption of the amendment is closely aligned with the Board's on-going strategy of maintaining the IFRS convergence.