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Ref.: PSC/HvD/SS/SR

Dear Ms Fox,

Re: FEE Comments on IPSASB Exposure Draft 40 'Intangible Assets' and Exposure Draft 41 'Entity Combinations from Exchange Transactions'

- (1) FEE (the Federation of European Accountants) is pleased to submit its views on the related IPSASB Exposure Draft 40 'Intangible Assets' and Exposure Draft 41 'Entity Combinations from Exchange Transactions'.
- (2) We strongly support IPSASB's project to develop a suite of IFRS converged IPSASs on relevant issues, closely reflecting IFRS where this is possible, and providing interpretation or additional guidance where this is necessary.
- (3) The EDs are based on IAS 38, and IFRS 3 modified using the IPSASB's 'public sectorisation' approach. They also include similarly modified SIC material in to bring together a coherent body of guidance. In addition to the 'public sectorisation' of terminology and examples, the Exposure Drafts extend the scope of the proposed standards to encompass public sector cases for which the treatment is similar to the standard private sector practice, and limit the scope to exclude cases where it is not clear that the IFRS approach is appropriate.
- (4) We agree with this approach. In general we agree that the public sectorisation is helpful, and the additional material is appropriate and should be reflected in the IPSAS as proposed. We have no specific observations on ED 41. However, we have some specific observations to make on the transitional provisions to ED 40, which differ from those in IAS 38 without a specific public sector reason. Details are provided in the attached Annex.

We hope these comments are a helpful contribution to the development of the revised standards. For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hans van Damme', written over a horizontal line.

Hans van Damme
President

ED 40 Specific Matters for Comment

Do you agree that the changes made to IAS 38, in particular the scope exclusions set out in paragraphs 2 and 4, and the additional public sector guidance are:

- *Necessary in the circumstances?*
- *Appropriately reflected in the revised wording?*

We agree that most of the changes made to IAS 38 are necessary to provide coherent guidance for the public sector context, and appropriately reflected in the revised wording.

Transitional Provisions

It is not clear to us that the transitional provisions are appropriate for an IFRS converged standard.

Paragraph 144 allows the use of fair value as a proxy for cost where reliable cost information is not available, explaining that the transitional provisions are consistent with IPSAS 17 'Property, Plant and Equipment'. This differs from the transitional provisions in IAS 38 which are more restrictive than those in the IASB standard IAS 16 'Property, Plant and Equipment', and only allow retrospective recognition of assets for which reliable cost data is available. Paragraph 144 also seems to override the text in paragraph 140, which echoes the IAS 38 drafting by requiring that assets satisfy the identifiability and reliable measurement criteria in paragraph 30. The reliable measurement criterion in subparagraph 30 (b) has been widened to include 'the cost or fair value of the asset, as appropriate' but in this context, the fair value option is only available for assets acquired in non-exchange transactions.

We agree that there is a public sector specific issue in relation to assets obtained in non-exchange transactions, and that these assets should be valued on a fair value basis. However, for other assets the ED does not provide any public sector reason for different treatment. We therefore suggest that it would be appropriate to maintain an IFRS converged approach and use the same reliability criterion as IAS 38 in the transitional provisions.

Drafting points

Paragraph 144 includes wording based on transitional provisions in IPSAS 17 'Property, Plant and Equipment' and refers to property, plant and equipment. This reference appears to be incorrect, and should be reframed to refer to intangible assets.

We also suggest that the heading 'Recognition and Measurement at Recognition', while accurate is confusing. This could be more helpfully expressed as 'Recognition and Initial Measurement'.