Federation of European Accountants
Fédération des Experts comptables Européens

Ms Stephenie Fox
Technical Director
IPSASB
IFAC

E-mail: EDComments@ifac.org,
StephenieFox@ifac.org

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Ref.: PSC/AKI/PGI

Dear Ms Fox,

IPSASB ED 50 Investments in Associates and Joint Ventures

(1) FEE (the Federation of European Accountants, www.fee.be) is pleased to submit its views on this proposed International Public Sector Accounting Standard.

General Comments on the Exposure Draft

(2) We strongly support IPSASB's programme which helpfully combines IFRS converged IPSASs on matters which are common to both private and public sectors, public sector specific IPSASs on matters which are unique to the sector, and conceptual work which will inform the development of standards in future, seeking to achieve the optimum balance between maintaining comparability and addressing sector specific issues.

(3) We have reviewed the changes in terminology between this Exposure Draft and its donor standard, IAS 28, and agree that the revised terminology better represents the position of public sector bodies. We also agree with the inclusion of additional commentary in the Exposure Draft to clarify the applicability of the proposed Standard to accounting by public sector entities.

(4) We have also considered the IPSASB's decision to replace references to IFRS 9 Financial Instruments contained in IAS 27 with references to the IPSASs dealing with financial instruments. As the IPSASB has not yet considered the applicability to the public sector of this standard, and also in view of the fact that the IASB's proposed amendments to this standard are not complete, we agree with the IPSASB's decision to remove references to it in this Exposure Draft.

(5) In accordance with ED 49 Consolidated Financial Statements, we agree with the IPSASB's decision not to include a temporary control exemption in this standard for the same reasons as quoted in our response letter to that Exposure Draft.

Specific Matters for Comments

(6) FEE's views are set out below on the Specific Matter on which the IPSASB would particularly value comments.

Specific Matter for Comment 1 **Do you generally agree with the proposals in the Exposure Draft?** If not, please provide reasons.

(7) In general, we agree with the proposals contained in this Exposure Draft.

Specific Matter for Comment 2 **Do you agree with the proposal that the scope of the ED be restricted to situations where there is a quantifiable ownership interest?**

(8) Due to the variety of ways that public sector bodies may become involved in other entities that may not entail a long term investment or the exercise of control over those entities, we agree with the proposal that the scope of this Exposure Draft be restricted to situations where there is a quantifiable ownership interest.

(9) We note that there is no formal definition of "quantifiable ownership interest" contained in the Exposure Draft. We believe that a formal definition of this term would enhance understanding of the standard and increase comparability between jurisdictions. For this same reason, we also believe that the inclusion of some explanatory paragraphs giving examples of situations where a quantifiable ownership exists and where it does not exist would assist in the consistent interpretation of this standard.

Avenue d'Auderghem 22-28 • B-1040 Brussels • Tel: +32 (0)2 285 40 85 • Fax: +32 (0)2 231 11 12 • secretariat@fee.be • www.fee.be
Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986

Specific Matter for Comment 3

Do you agree with the proposal to require the use of the equity method to account for investments in joint ventures? If not, please provide reasons and indicate your preferred treatment.

(10) We agree with the proposal to require the use of the equity method to account for investments in joint ventures and to remove the option for proportional consolidation in order to bring this standard into line with ED 51, Joint Arrangement and thereby in agreement with IFRS 11, Joint Arrangements.

(11) We do, however, have concerns that the investing entity is given an option to measure investments in an associate or a joint venture held in a venture capital organisation, mutual fund, unit trust or similar entities at fair value through surplus and deficit.

(12) In our opinion, when an investment in an associate or a joint venture is held, directly or indirectly, by an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the standard should prohibit such investments applying the equity method of accounting. For the sake of comparability, we believe that such investments should be compulsorily accounted for at fair value through surplus or deficit in accordance with IPSAS 29.

For further information on this letter, please contact Paul Gisby, Project Manager from the FEE Team, on +32 2 285 40 70 or via e-mail at paul.gisby@fee.be.

Yours sincerely,

André Kilesse
President

Olivier Boutellis-Taft
Chief Executive