

2 July 2018

Mr John Stanford
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA
Submitted to: www.ifac.org

Dear John

ED 65 *Improvements to IPSAS, 2018*

Thank you for the opportunity to comment on ED 65 *Improvements to IPSAS, 2018* (ED 65). ED 65 was exposed for comment in New Zealand and some New Zealand constituents may comment directly to you.

We are particularly pleased that ED 65 is proposing to:

- (a) address issues raised by stakeholders in a timely manner; and
- (b) maintain alignment with IFRS[®] Standards. We have mentioned in our comment letter on IPSASB *Proposed Strategy and Work Plan 2019–2023* that when transactions are the same for the public and private sectors it is important that alignment with IFRS Standards is maintained. Maintaining alignment with IFRS Standards ensures that IPSAS incorporate the latest thinking of the International Accounting Standards Board (IASB), to the extent appropriate for the public sector. This process ultimately contributes to the IPSASB developing and maintaining high-quality IPSAS and financial reporting guidance.

We broadly support the proposed amendments in ED 65 except for the proposal to delete paragraph 76 in IPSAS 16 *Investment Property*. Our reasons for disagreeing with the proposed deletion are as follows.

- (a) IPSAS 16 would not be aligned with IAS 40 *Investment Property* and there is no public sector reason to depart from IAS 40. We would have concerns about the difference that this would create between IPSAS and IFRS Standards and would prefer that the issue be dealt with consistently in both sets of standards.
- (b) Under IPSAS 16, the rebuttable presumption is that an investment property can be measured at fair value on a continuing basis. However, if the fair value of an investment property under construction cannot be reliably measured, then it can be measured at cost until fair value becomes reliably measurable or construction is completed (whichever is earlier) (IPSAS 16.62). There could be situations where there is a difference between the carrying amount of investment property under construction and its fair value, in which case the guidance in paragraph 76 would be required. We do not agree with paragraph 76 being deleted. If the IPSASB wishes to address this issue, the paragraph could be relocated to the *Inability to determine fair value reliably* section, possibly after paragraph 63 of IPSAS 16.

We have compared the proposed amendments in Part II with the equivalent IFRS Standards for consistency. In Part II-6 of ED 65, paragraph 42E of IPSAS 37 *Joint Arrangements* is not aligned with equivalent paragraph C1AB of IFRS 11 *Joint Arrangements*. The missing text from paragraph C1AB of IFRS 11 is underlined below.

C1AB *Annual Improvements to IFRSs 2015–2017 Cycle*, issued in December 2017, added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

The proposed amendment to paragraph 42E of IPSAS 37 is as follows.

42E. Paragraph AG33CA was added ~~amended~~ by [draft] *Improvements to IPSAS, 2018*, issued in [Month] [Year]. An entity shall apply this amendment to transactions in which it obtains joint control on or after the beginning of the first ~~for~~ annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, [Year], it shall disclose that fact.

In Part II-7 of ED 65, paragraph 126C of IPSAS 40 *Public Sector Combinations* is not aligned with equivalent paragraph 640 of IFRS 3 *Business Combinations*. The missing text from paragraph 640 of IFRS 3 is underlined below.

640 *Annual Improvements to IFRSs 2015–2017 Cycle*, issued in December 2017, added paragraph 42A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

The proposed amendment to paragraph 126C of IPSAS 40 is as follows.

126C. Paragraph 100A was added ~~amended~~ by [draft] *Improvements to IPSAS, 2018*, issued in [Month] [Year]. An entity shall apply this amendment to public sector combinations for which the acquisition date is on or after the beginning of the first ~~for~~ annual financial statements covering periods beginning

on or after January 1, [Year]. Earlier application is permitted. If an entity applies this amendment for a period beginning before January 1, [Year], it shall disclose that fact.

We recommend the IPSASB includes these amendments in the final standard for ED 65.

We wish to acknowledge in the Basis for Conclusions for each amendment in Part II of ED 65 the relevant IASB® amending pronouncement referenced. These explanations are clear and useful for constituents for tracking alignment of IPSAS with IFRS Standards.

If you have any questions or require clarification of any matters in this submission, please contact Aimy Luu Huynh (aimy.luuhuynh@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kimberley Crook', written in a cursive style.

Kimberley Crook
Chair – New Zealand Accounting Standards Board