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The International Public Sector Accounting Standards Board

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Submission via website

30 June 2026

Dear Ross

COMMENT ON THE EXPOSURE DRAFT ON *DEFINITION OF AN OPERATION AND RECOGNITION OF ACQUIRED LIABILITIES AND CONTINGENT ASSETS (AMENDMENTS TO IPSAS 40)* (ED 96)

We thank you for the opportunity to comment on ED 96.

The views in this comment letter are those of the Secretariat of the ASB and not the Board. The comments were formulated after consultation with our stakeholders, which included preparers, auditors, technical experts, consultants and users.

In general, we support the inclusion of the proposals in ED 96 to align with amendments to the IFRS Accounting Standard on *Business Combinations* (IFRS 3) arising from *Definition of a Business* (Amendments to IFRS 3) and *Reference to the Conceptual Framework* (Amendments to IFRS 3) issued by the International Accounting Standards Board.

To fully align with the IFRS 3 amendments, we are proposing an additional change, as included in Annexure A. Annexure A also proposes changes to the examples to make them more relevant to the public sector.

In updating our local pronouncements with the same IFRS 3 amendments, we developed a flow chart to assist entities in assessing whether a set of activities, and assets and/or liabilities, is a function, where an entity elects, or not elects to apply the concentration test. A “function” in our local pronouncements is similar to an “operation” in IPSAS 40. We are of the view that this flow chart can also be useful to your stakeholders. We have included this flowchart in Annexure B, adapted with references to the applicable IPSAS 40 paragraphs.

Should you have any questions regarding the comment outlined in this letter, please feel free to contact me.

Yours sincerely

Elizna van der Westhuizen

Head of Technical

Annexure A

Additional amendments to align with IFRS 3

Part 2 – Recognition of Acquired Liabilities and Contingent Liabilities within the Scope of IPSAS 19	
Paragraph reference	**Underlined amendment proposed**
Paragraph .77A (guidance from IFRS 3.23A)	Consider adding the definition of a contingent asset as defined in IPSAS 19: “IPSAS 19 defines a contingent asset as ’a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.‘ The acquirer shall not….” This change will align the approach for contingent liabilities in the previous paragraphs and improve the usability of the Standard.

Other proposals: Public sector changes to examples

Part 1 – Definition of an Operation	
Paragraph reference	**Amendment proposed**
Paragraph AG4B.(f)(ii)	Consider changing “manufacturing equipment and automobiles” in paragraph AG4B(f)(ii) to “infrastructure and vehicles”
Paragraph AG9B.	“Consider deleting the reference to real estate Examples of the inputs mentioned in subparagraphs (b)(i) – (iii) include technology, in-process research and development projects~~, real estate~~ and mineral interests.”

Annexure B – proposed flow chart

Is a set of activities, and assets and/or liabilities, where an entity elects, or not elect to apply the concentration test, an operation?