Letter of Comment No: 209 File Reference: 1204-001

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Bogotá, October 26, 2005

Sir David Tweedie Chairman IAS Board 30 Cannon Street UK- London EC4M6XH

COMMENTS ON THE IASB'S EXPOSURE DRAFT of 2005 ON AMENDMENTS TO "IFRS 3 - BUSINESS COMBINATIONS"

The Cooperative Confederation of Colombia, Confecoop, represents more than 1,500 cooperatives in Colombia, through 9 economical organizations and 17 regional associations, which assets, represent 82% of the national total and almost 2.3 of the 3 million cooperative members in Colombia. As the legal representative of Confecoop, I would like to express our concerns about the Comments on the IASB's exposure draft of 2005 on amendments to the IFRS 3 – Business Combinations.

- We request the definitive exclusion of cooperatives and mutuals from IFRS3 (on which there is a wide consensus within the cooperative movement already as we saw in the consultation last year) and, instead, the <u>utilization of the "pooling of interest" method</u>; technical arguments can be found in last year's communications and in section 2 of this document. Furthermore, after the request for exclusion last year by 78,8% of all respondents, the due process has not been really complied with.
- We strongly emphasize that cooperatives and mutuals do not correspond to the concept of "mutual entities" as described along the exposure draft, nor with the wider concept of "profit oriented entities" which exclusively includes conventional enterprises and "mutual entities", and therefore requests that the internationally-agreed distinctive characteristics of cooperatives and mutuals be clearly recognized.
- We underline the fact that the technical knowledge is still lacking and the need of rethinking a distinctive accounting category for cooperatives, as described in ILO Recommendation 193. This category could be common with mutuals provided that the differences between the two models are explicitly clarified, and provided that this common category is clearly different from the present "mutual entity" concept.
- We propose the establishment of a specific working group on this topic with the participation of experts on accounting specialised in cooperatives and mutuals from around the world.

There is a need to establish a dialogue with the IASB. It is suggested to:

- Ensure that cooperatives react before important decisions are taken
- Express our disappointment at the absence of cooperative knowledge
- Request co-operative representative within working groups when considering future topics
- Work on the interpretation of the IAS from a co-operative point of view.
- Develop individual contacts with IASB representatives at national level.

I look forward to hearing from you,

Best wishes,

CLEMENCIA DUPONT CRUZ

Executive President

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