Letter of Comment No: 205
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Pasto, October 25, 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"

As manager of FENARDES NARIÑO, I express our oposition to the inclusión of cooperatives in the IASB´s exposure draft of 2005 on amendments to IFRS 3 – Business Combinations. FENARDES is the Federation of Solidarity Economy entities in the department of Nariño in Colombia. Our object is to represent and work for capacity building of the social sector in our region. We have 11 associates.

Based on our analysis,

- 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 utilization of the "pooling of interest" method; 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.

Issues to be revised:

- **Business entity concept and appropriate accounting treatment**
- **Acquisition and resulting control under a relationship of mother-subsidiary applied to cooperatives**
- **The use of fair value in accounting "business combinations" between "mutual entities"**

ESPERANZA GUERRERO BRAVO
GENERAL MANAGER