October 20, 2005

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

## "IFRS 3 - BUSINESS COMBINATIONS"

The Foundation for the Cooperative Development is a non profit organization. Its main objective is to give support to the development of cooperatives and communitarian organizations, which are dedicated to de production and marketing of agricultural materials. These cooperatives and communitarian organizations are organized by small producers or consumers with low incomes, which are located in marginal zones. Support is given through different kinds of loans. The founder partners are the National Federation of Coffee Growers of Colombia, Idema, Bancafé, and the office AID from the embassy of the United States.

We object the 2005 IASB's exposure draft on amendments to "IFRS 3 - Business Combinations" on the intention of including "mutual entities", a term that appears to include mutuals and cooperatives.

We also remind the IASB that 78,6% of all respondents rejected the inclusion of "mutual entities", out of which all business economic actors, and that this rejection was not only a matter of timing or retroactive application but one related to the nature of the entity and the way business is done by such entity. Consequently, based on the due process, the 2005 proposed inclusion of cooperatives and mutuals into the IFRS3 should not proceed.

## As a conclusion:

• 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.

Sincerely,

CARMENZA SUAREZ GALEANO Director