

Agenda Item 9: Public Sector Measurement

David Watkins, Gwenda Jensen and
Dave Warren

IPSASB Meeting

December 4–7, 2018

Kuala Lumpur, Malaysia

Overview

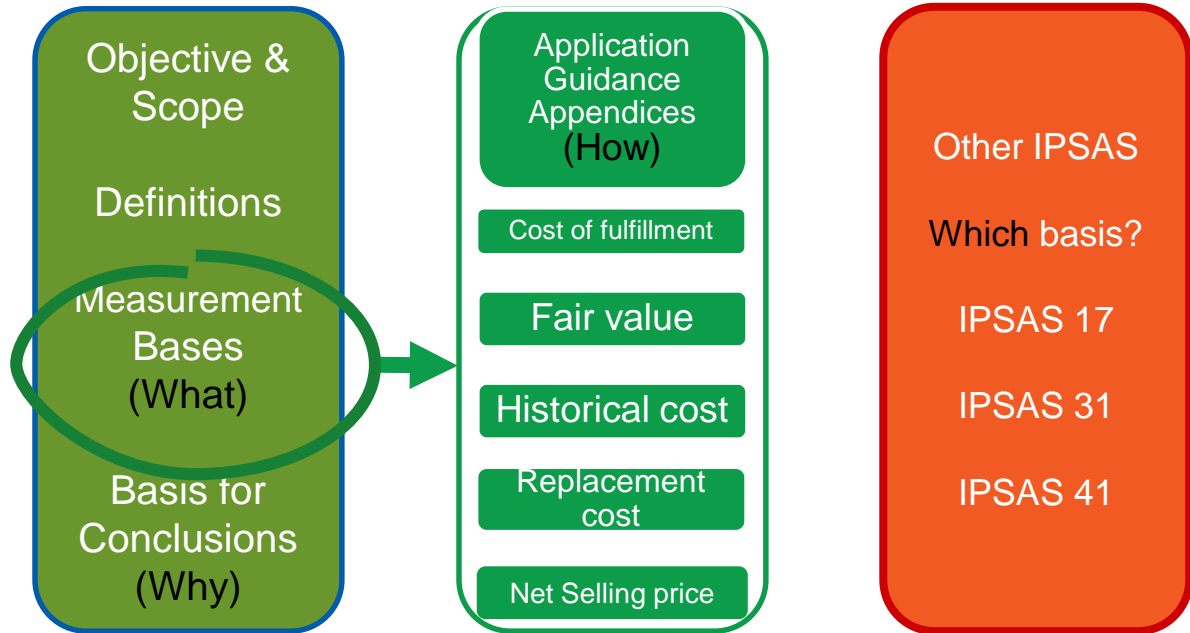
1. Revisions to ED, *Measurement*
2. Cost of fulfillment issues
 - Review
 - Principles
 - Discount rate
 - Process
3. Measurement of Assets Held for Sale or Disposal
4. Revisions to CP, *Public Sector Measurement*

Introduction

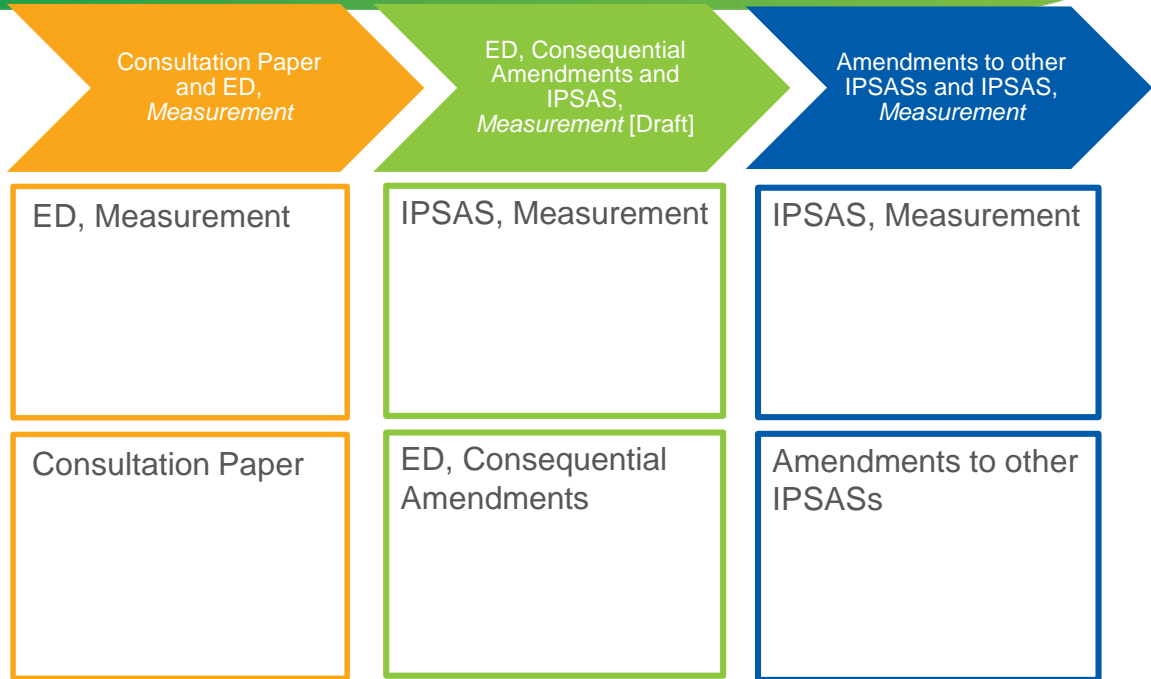
Project management:

- Instructions (agenda paper 9.1.1)
- Decisions (agenda paper 9.1.2)
- Project road map (agenda paper 9.1.3)

IPSAS, *Measurement*, and other IPSASs



Combined CP and ED: Process



1 Revisions to ED, *Measurement*

- What are IPSASB's views on draft ED, *Measurement*
- Agenda paper 9.2.1:
 - Identifies points for the IPSASB to consider during its review of the draft ED
 - Appendix 1 has an overview of revisions to ED since September
- Agenda paper 9.3.1 has the draft ED for review

1 ED, *Measurement* – Key revisions

Headings	Revisions	Further comment:
Request for comments	None	Outstanding–PVs and SMCs
Contents page	New	Reflects September decisions on ED's content.
Measurement	New	Explanatory text added - based on Conceptual Framework
Disclosures	New	Text refers to disclosures in application guidance appendices

1 ED, *Measurement* – Key revisions

	Revisions	Further comment—
A Cost of fulfillment	New	See 9.2.2-9.2.5
B Fair value	Revised	Text from IFRS 13, <i>Fair Value Measurement</i>
C Historical cost	New	Guidance reflects IPSAS approach to generic issues
D Replacement cost	New	Guidance based on IPSAS 17, UK Treasury website, & international valuation standards
Basis for Conclusions	New sections	(1) Relationship between ED & other IPSASs (2) fair value application guidance

1 Decisions required

The IPSASB is asked to


- Carry out a page-by-page review of the Draft ED, and
- Identify revisions necessary to prepare the ED for approval

Agenda Item 9: Public Sector Measurement – Cost of Fulfillment

Dave Warren, Manager,
Standards Development and
Technical Projects

David Watkins, Task Force
Chair

Session Outline

- 
- Process
 - Definition of Cost of Fulfillment
 - Discount Rate
 - Next Steps

Process

Process

- Developed a definition and principles for the cost of fulfillment
- Evaluated the principles developed against transactions a cost of fulfillment measurement basis could be applied to
- Developed guidance



Definition of Cost of Fulfillment (1/10)

The cost of fulfillment is **the costs** that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner

Costs only include the future outflows of resources the entity expects to incur to satisfy the obligation (no transaction costs)

Definition of Cost of Fulfillment (2/10)

Does the IPSASB agree the cost should only include the future outflows of resources the entity expects to incur to satisfy the obligation?

Definition of Cost of Fulfillment (3/10)

The cost of fulfillment is the costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.

The obligation will be fulfilled by the entity in the normal course of operations (under the existing terms of the arrangement and with the current counterparty)

Definition of Cost of Fulfillment (4/10)

Does the IPSASB agree the obligation will be fulfilled by the entity in the normal course of operations?

Definition of Cost of Fulfillment (5/10)

The cost of fulfillment is the costs that the entity will incur in fulfilling the obligations **represented by the liability**, assuming that it does so in the least costly manner

The cost of fulfillment measurement is a liability measurement basis that can relate to a stand-alone liability, or a group of liabilities.

Definition of Cost of Fulfillment (6/10)

Does the IPSASB agree the cost of fulfillment measurement is a liability measurement basis?

Definition of Cost of Fulfillment (7/10)

The cost of fulfillment is the costs that the entity will incur in fulfilling the obligations represented by the liability, **assuming that it does so in the least costly manner**


The entity must have the ability to access the settlement method that results in the obligation being settled in the least costly manner at the expected settlement date.

Definition of Cost of Fulfillment (8/10)

Does the IPSASB agree the entity must have the ability to access the settlement method that results in the obligation being settled in the least costly manner at the expected settlement date?

Definition of Cost of Fulfillment (9/10)

The cost of fulfillment is the costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner

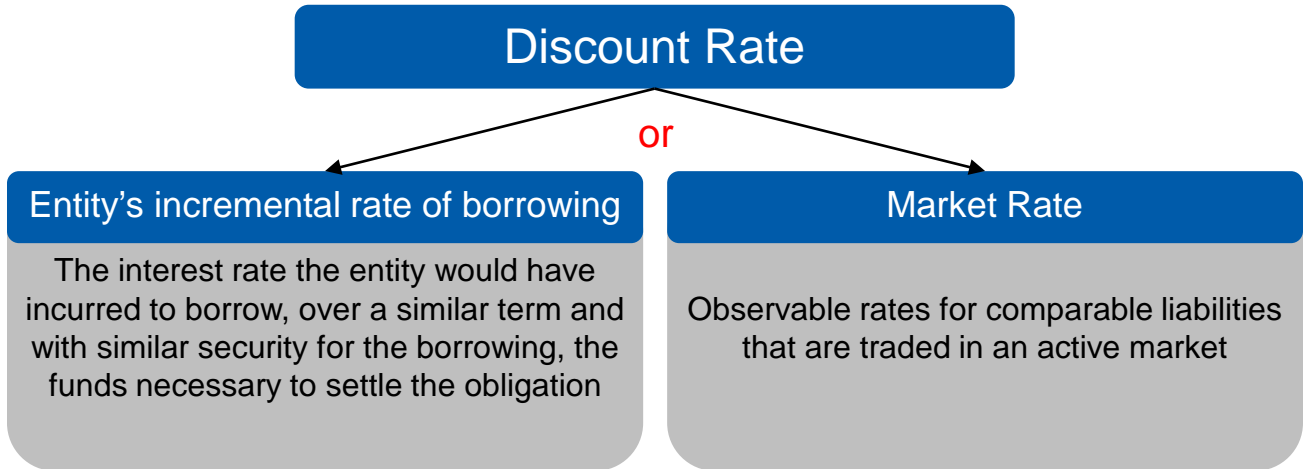


Entity specific value (i.e., the entity will fulfill its own obligation and should measure the liability accordingly)

Definition of Cost of Fulfillment (10/10)

Does the IPSASB agree cost of fulfillment is an entity specific measurement basis that maximizes the use of observable inputs where available?

Discount Rate (1/2)



Discount Rate (2/2)

Does the IPSASB agree a market rate should be used to discount future outflows of resources when measuring the cost of fulfillment?

Next Steps

Q1 2018

- Incorporate IPSASB comments into CoF appendix

Q2 2019

- Finalize ED/CP for public exposure

March 12-15, 2019

- Present revised draft of appendix to IPSASB for approval

3 Measurement of assets (sale or disposal

Does the IPSASB agree that the measurement of assets held for sale or disposal should be addressed through a separate project, rather than an appendix in ED, *Measurement*?

3 Measurement of assets (sale or disposal)

1. ED, *Measurement*, incomplete? *No.*
2. Prevalence of IFRS 5 transactions? *Issue relevant to public sector. (Evidence on prevalence unavailable)*
3. Measurement bases for public sector: *Identify circumstances as first step. Conceptual Framework's net selling price likely to be appropriate. (IFRS 5: "lower of carrying amount and fair value less costs to sell")*
4. Relevance of IFRS 5 disclosures? *Relevant if IPSASB decides to take same approach as in IFRS 5*

3 Decision required

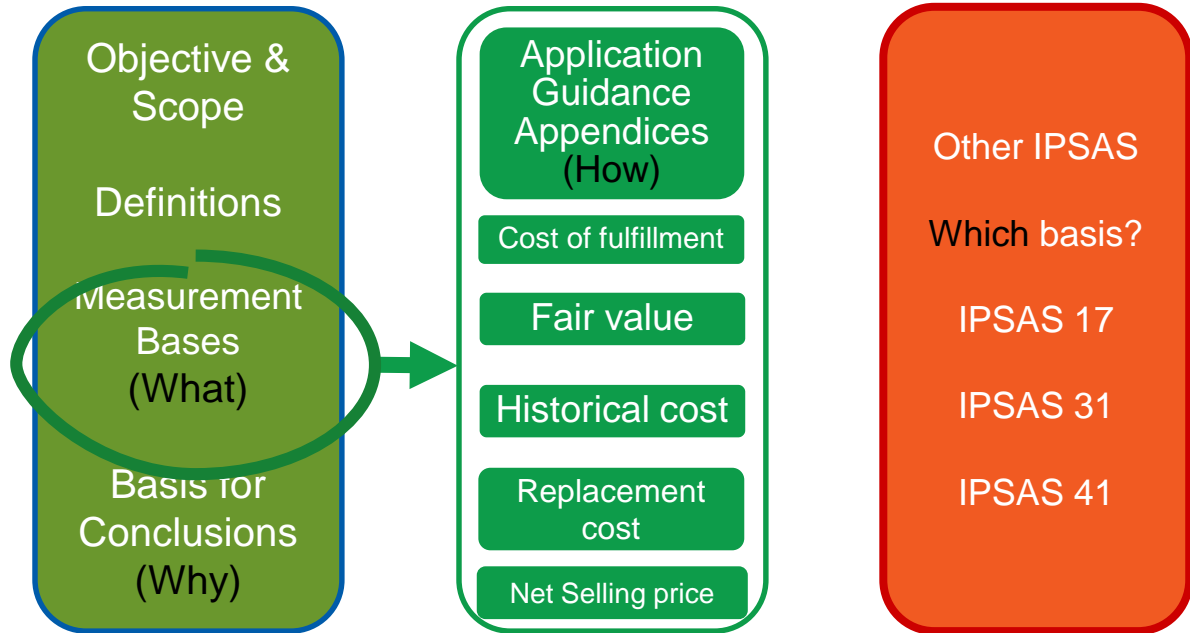
The IPSASB is invited to agree with the recommendation that:

- The measurement of assets held for sale or disposal be addressed through a separate IPSASB project, rather than through development of an appendix in ED, *Measurement*

4 Revisions to CP, *Public Sector Measurement*

- What are IPSASB's views on draft CP, *Public Sector Measurement*
- Agenda paper 9.2.1:
 - Identifies points for the IPSASB to consider during its review of the draft CP
 - Appendix 2 has an overview of revisions to the CP since September
- Agenda paper 9.3.1 has the draft CP for review

IPSAS, *Measurement*, and other IPSASs



4. CP, *Public Sector Measurement* – Key revisions

	Revisions	Further comment
Request for comments	Revised	
Contents page	Revised	
Before you read	New	Explanatory section with visuals
4, Transaction Costs	New	Issues, options, & a preliminary view
5, Measurement: Assets	Revised	New flow chart & explanation
6, Measurement: Liabilities	Revised	New flow chart & explanation

4 Decisions required

The IPSASB is asked to

- Carry out a page-by-page review of the Draft CP, and
- Identify revisions necessary to prepare the CP for approval

Project – Decisions, Instructions and Next Steps

- Summary of:
 - Decisions
 - Instructions
 - Next steps