

Agenda Item 11: Public Sector Measurement

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IPSASB Meeting

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Washington D.C., U.S.A.

Objective of this Session

- Education session for Public Sector Measurement Project
- Actions requested:
- Confirm revisions to project brief:
 - Revisions from June 2015
 - Revised project timetable
 - Note “multi-stage” approach to project
 - Provide comment on three groups of IPSASs

Materials Presented

11.1 Project management

11.2 Issues paper

11.3 Supporting items:

- Project Brief, Public Sector Measurement
- Excerpt–IPSASB Meeting Minutes–June 2015
- Table: Review of IPSAS for Measurement Requirements (work-in-progress)

Overview of Session

1. Public interest: Why this project?
 - IFRS 13, *Fair Value Measurement*
 - IPSAS measurement
 - Conceptual Framework
 - Recent developments: Projects since 2012
2. Project brief
 - Project brief discussions 2014—2015
 - Project timetable, multistage approach, 3 groups of IPSASs

1. Public Interest: Why this Project?

- Measurement that works well for public sector specific assets and liabilities
- Information: Useful, consistent with measurement objective, achieves qualitative characteristics taking account of constraints
- Consistent measurement approach across IPSASs
- Improve comparability of financial statements
- Helpful guidance on measurement bases

IFRS 13, *Fair Value Measurement*

IFRS 13:

- Defines fair value
- Replaces fair value requirements and guidance in individual Standards

Fair value (IFRS 13) is *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”*

- Exit value, not entity specific, excludes transaction costs

IPSAS Measurement

- IPSAS Measurement is mixture of:
 - IFRS measurement; and
 - Public sector specific adjustments
- Fair value (IPSAS) is: *“The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.”*
- Are there fair value problems in IPSASs (as in IFRS)?

Yes

Conceptual Framework Measurement Bases

Assets:	Liabilities
Historical cost	Historical cost
Market value	Market value
Replacement cost	Assumption price
Net selling price	Cost of release
Value in use	Cost of fulfillment

Conceptual Framework Measurement

Can fair value (IFRS 13) be used in IPSASs?

Conceptual Framework answer:

No, exit values are often wrong for measurement of public sector assets and liabilities

Basis for Conclusions:

IPSASB may do more work at standards level to explain how measurement bases align with IFRS 13 fair value

Recent Projects: Defer to Measurement Project

Example: Financial Instruments: Updates to IPSASs 28-30

- IPSASB decision to use:
 - Fair value (not market value)
 - IPSAS 29's definition of fair value, guidance (not IFRS 13's)
- IPSASB decision to defer:
 - Attempting to address measurement in FI Updates Project would be major scope expansion
 - Public Sector Measurement Project will address measurement issues raised by FI Updates project

2. Project: IPSASB's Past Discussions

- IPSASB discussed this project in December 2014, March 2015 and June 2015
- Concerns during project brief development:
 - Project very complex
 - Very wide scope
 - Unknown (or unclear): Extent of measurement problem?
Outputs of project? Amount of resource needed?

Project: IPSASB's Past Discussions

IPSASB Decision: Use “multistage” approach:

1. Preliminary analysis of IPSAS measurement
2. IPSASB decision on scope and objective of project
3. Next steps as per IPSASB decision

Issue 1 Project on Public Sector Measurement

- See 11.3.1 (revised project brief)
- IPSASB asked to confirm:
 - Scope of the project; and
 - Project brief as revised
 - Suggested project timetable

Issue 2 Measurement and Fair Value in IPSAS

- See 11.3.3 (list of IPSASs and measurement)
- IPSASB asked for comments on the three groups:
 - A. IPSASs with measurement requirements
 - B. IPSASs that are the focus of on-going IPSASB projects
 - C. IPSASs that only refer to measurement in other standards

Next Steps

- Develop inventory of IPSAS measurement requirements



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