IPSASB International Public Sector Accounting Standards Board®

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Meeting:	International Public Sector Accounting Standards Board	**Agenda Item 11**	For: ☐ Approval ☒ Discussion ☒ Information
Meeting Location:	Abu Dhabi, United Arab Emirates		
Meeting Date:	December 10–13, 2019		

MEASUREMENT

Project summary	Project will revise IPSAS requirements for measurement and measurement-related disclosure, provide guidance on measurement and address the treatment of transaction costs and borrowing costs.	
Meeting objectives **Project management**	***Topic***	***Agenda Item***
	Measurement: Project Roadmap	11.1.1
	Instructions up to Previous Meeting	11.1.2
	Decisions up to Previous Meeting	11.1.3
Decisions required at this meeting	Preliminary Review of Responses	11.2.1
	Measurement Project – CAG Feedback	11.2.2
Other supporting items	Analysis of Respondents by Region, Function and Language	11.3.1
	List of Respondents	11.3.2
	List of Preliminary Views and Specific Matters for Comment from the Measurement CP	11.3.3
	CAG Paper - Measurement	11.3.4

Prepared by: Dave Warren (November 2019)

Agenda Item 11.1.1

MEASUREMENT: PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
March 2019	1. Approve Consultation Paper and Illustrative Exposure Draft
June 2019	1. Document out for comment
September 2019	1. Document out for comment
December 2019	1. Preliminary Review of Responses to Consultation Paper
March 2020	1. Review of Responses to Consultation Paper 2. Discussion of Issues
June 2020	1. Discussion of Issues 2. Discuss proposed consequential amendments
September 2020	1. Approve Exposure Draft

Agenda Item 11.1.2

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
March 2019	1. All instructions provided up until March 2019 were reflected in the Consultation Paper on *Measurement*.	1. All instructions provided up until March 2019 were reflected in the Consultation Paper on *Measurement*.

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DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
March 2019	1. All decisions made up until March 2019 were reflected in the Consultation Paper on *Measurement*.	1. All decisions made up until March 2019 were reflected in the Consultation Paper on *Measurement*.

Agenda Item 11.2.1

Preliminary Review of Responses

Purpose

1. To provide the Board with a preliminary analysis of responses to the Measurement Consultation Paper (CP).

Detail

2. On April 30, 2019, the Board issued its CP on Measurement. The CP was the Board's first step in establishing a comprehensive measurement framework for Public Sector Accounting. The CP focused on better aligning the IPSAS measurement requirements with those established in the Conceptual Framework and IFRS 13, *Fair Value Measurement*.

3. This project set out to:

   (a) Issue an amended IPSAS with revised requirements for measurement at initial recognition and subsequent measurement;
   (b) Provide more detailed guidance on the implementation of historical cost, replacement cost, fulfillment cost, and fair value, and the circumstances under which these measurement bases will be used; and
   (c) Address accounting for transaction costs and borrowing costs.

4. The comment period closed October 14, 2019 with 31[1] responses submitted.

5. An analysis of the responses received by region, function and language is included in Agenda Item 11.3.1. A list of the organizations/individuals that have responded is included in Agenda Item 11.3.2.

Preliminary Review of Responses

6. The priority topics for the December IPSASB meeting are Revenue and Transfers, and staff resources were taken off the Measurement project to assist in finalizing those EDs for the IPSASB's interim review. As a result, the IPSASB Chair, Task Force Chair and IPSASB Technical Director agreed that staff need present only a preliminary review of the responses at the December meeting. A full analysis will be provided for the March 2020 meeting.

[1] An additional response was received on November 20th. The response has not been included in this analysis, but will be incorporated into the March 2020 detailed review of responses.

7. Staff has identified the following themes:

Theme	Preliminary Analysis **Detailed analysis schedule for March 2020**
Illustrative Exposure Draft	Unprompted, several respondents commented on the IPSASB's approach to include an Illustrative ED with the CP. For those that addressed the approach, except for one respondent, all were supportive. Respondent 07, which was providing a consolidated response for several stakeholders, summarized both sides of the debate well: *There were mixed reactions to the approach. Some stakeholders supported the publication of both a Consultation Paper and an "illustrative" Exposure Draft as this helped to visualise at least one part of the project output. These stakeholders however indicated that they did not focus on reviewing the technical content of the illustrative Exposure Draft because it was marked as "illustrative". Other stakeholders indicated that they found it difficult to engage with the issues because the ideas were not well enough developed and were too conceptual.* *Preliminary Analysis* In addition to addressing the Board's Preliminary Views and Specific Matters for Comment, many respondents took an additional step and suggested how the IPSASB might action their comments in the Illustrative ED and/or indicated how their views were impacted by the Illustrative ED. Including the Illustrative ED seems to have helped respondents to provide comments that directly focus on how they believe the project should be taken forward. This approach will assist the IPSASB in considering how to address constituents' views. The inclusion of an Illustrative ED will be discussed by the CAG at its December 9, 2019 meeting (See Agenda Item 11.2.2). Board members will be provided with CAG members' feedback during the December IPSASB meeting.

Theme	Preliminary Analysis **Detailed analysis schedule for March 2020**
Borrowing Costs	Respondents were split almost evenly between agreeing and disagreeing with the preliminary view to expense all borrowing costs. This was by far the most divisive point for respondents. *Preliminary Analysis* This is not a surprising response. Given an accounting policy choice currently exists in IPSAS 5, *Borrowing Costs*, a departure eliminating optionality was expected to generate strong responses. This issue will require significant analysis to determine how to address constituent views. This issue will be discussed by the CAG at its December 9, 2019 meeting (See Agenda Item 11.2.2). Board members will be provided with CAG members' feedback during the December IPSASB meeting.
Fair Value	In general, there was strong support for applying the IFRS 13 definition of fair value in the public sector. However, respondents identified several items for the Board to consider: • Whether the Fair Value currently applied across IPSAS is consistent with the IFRS 13 definition of Fair Value; • The concept of "highest and best use" is not applicable in the public sector; • Clearly differentiating between market value and fair value; and • Distinguishing between replacement cost as a measurement basis, with its own application guidance, and replacement cost as a measurement technique used to determine fair value in the CP. *Preliminary Analysis* In issuing the CP, the IPSASB was aware that the issues raised by constituents require further consideration, both as part of the development of the *Measurement* ED and the Limited-Scope Review of the Conceptual Framework.

Decision Required

8. No decision required. For discussion purposes.

Agenda Item 11.2.2

Measurement Project – CAG Feedback

Purpose

1. To receive CAG feedback on public interest issues identified in the responses received to the Measurement CP.

Detail

2. The IPSASB will receive an update on CAG member views and discussions from the December°9,°2019 CAG meeting.

3. The December 9, 2019 CAG meeting agenda paper on this topic, is included as Agenda Item 11.3.4 for information purposes.

Decision Required

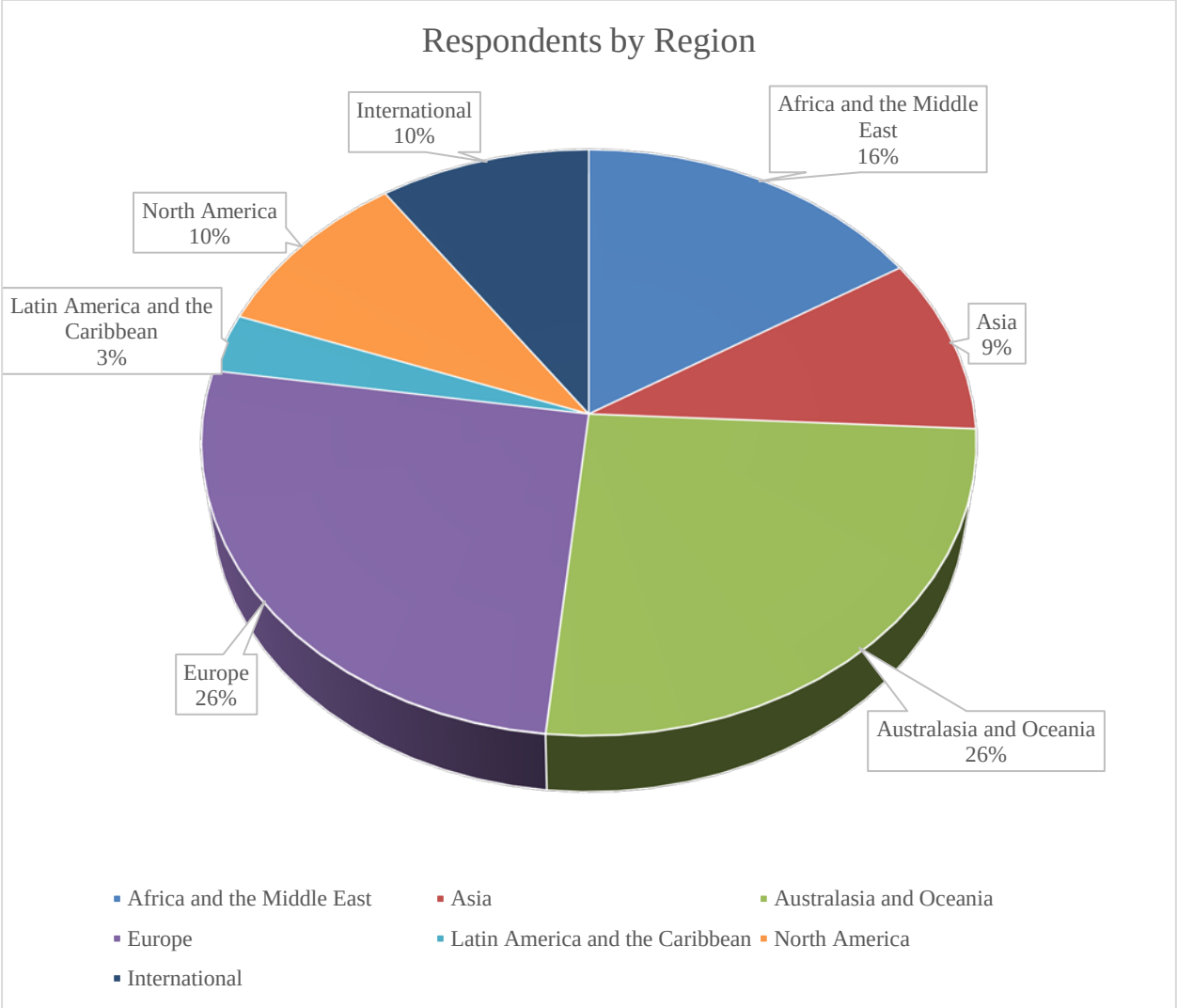
4. The IPSASB is asked to receive and consider the CAG feedback from their December 9, 2019 meeting.

Agenda Item 11.3.1

Appendix A - Analysis of Respondents by Region, Function and Language

Geographic Breakdown

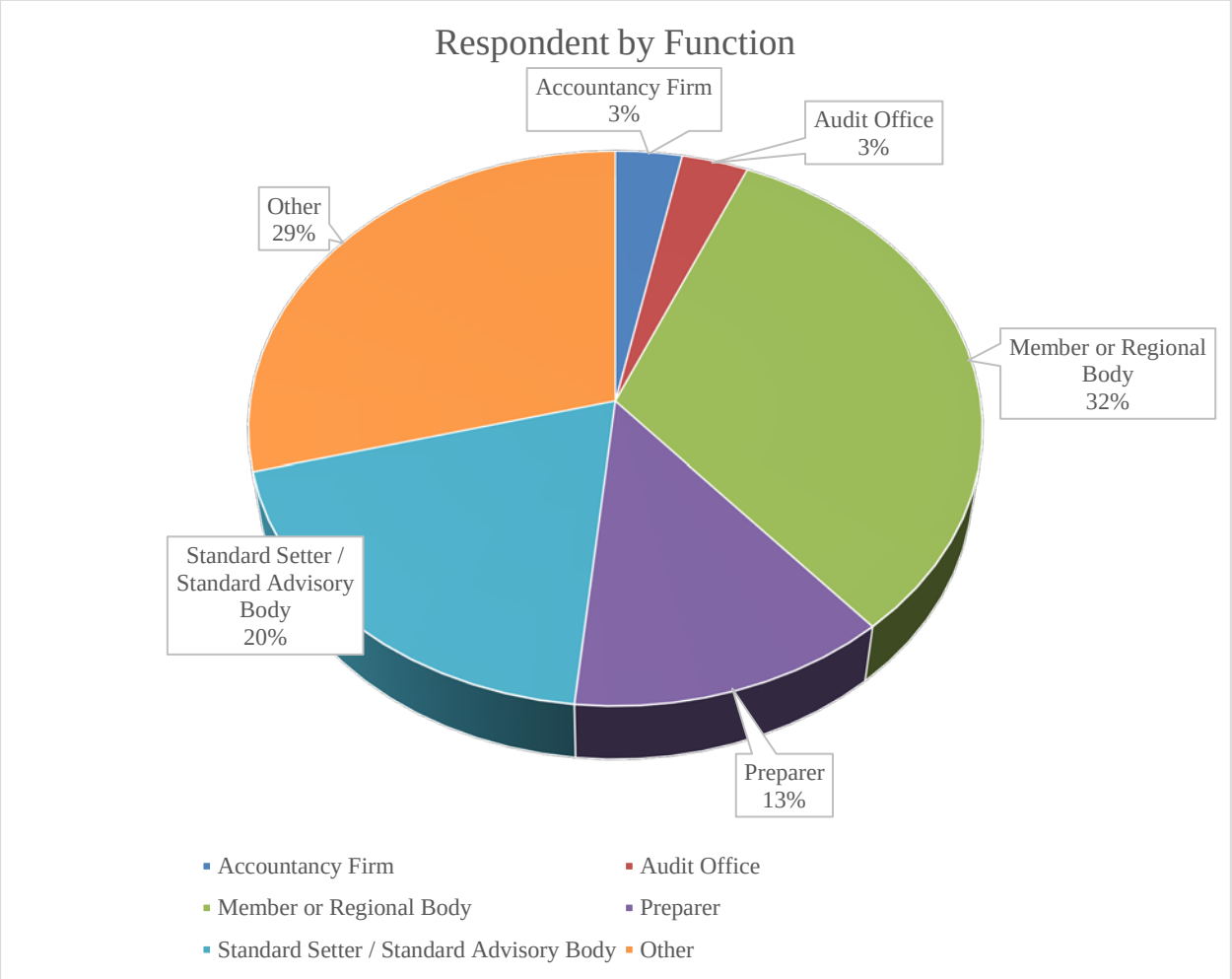
Region	Respondents	Total
Africa and the Middle East	01, 07, 17, 18, 21	5
Asia	10, 13, 30	3
Australasia and Oceania	04, 05, 15, 23, 24, 26, 27, 29	8
Europe	03, 06, 09, 12, 14, 19, 22, 25	8
Latin America and the Caribbean	20	1
North America	08, 11, 31	3
International	02, 16, 28	3
Total		**31**



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Functional Breakdown

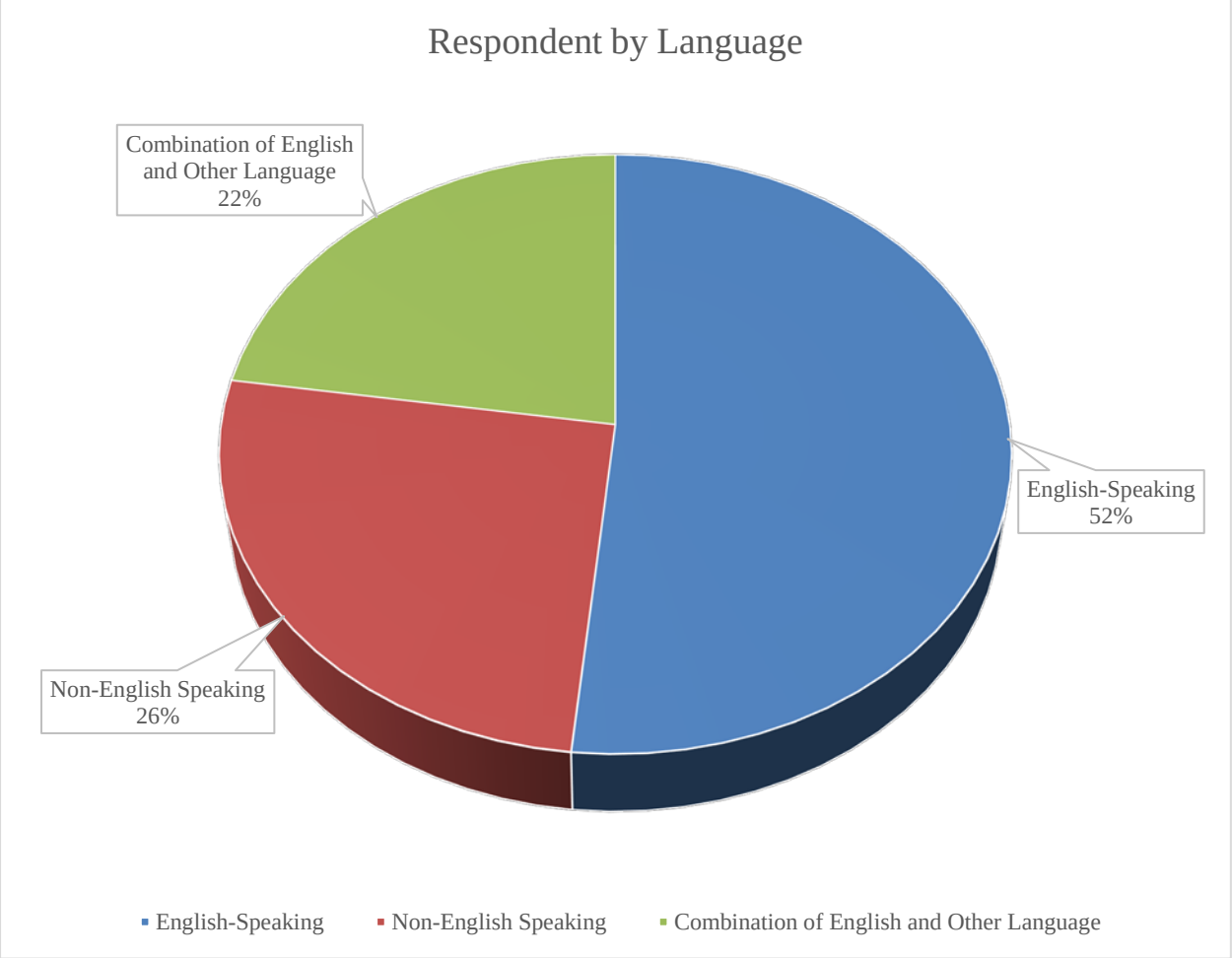
Function	Respondents	Total
Accountancy Firm	16	1
Audit Office	18	1
Member or Regional Body	03, 10, 12, 13, 14, 15, 20, 21, 22, 30	10
Preparer	08, 11, 19, 29	4
Standard Setter/Standards Advisory Body	04, 07, 09, 17, 25, 31	6
Other	01, 02, 05, 06, 23, 24, 26, 27, 28	9
Total		**31**



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Linguistic Breakdown

Language	Respondents	Total
English-Speaking	02, 04, 05, 06, 07, 12, 14, 15, 17, 22, 23, 24, 26, 27, 29, 31	16
Non-English Speaking	01, 09, 10, 13, 18, 20, 25, 30	8
Combination of English and Other	03, 08, 11, 16, 19, 21, 28	7
Total		**31**



Agenda Item 11.3.2

Appendix B - List of Respondents

#	Respondent	Function	Region
01	Halimeh Rahmani	Other	Africa and the Middle East
02	International Consortium on Governmental Financial Management (ICGFM)	Other	International
03	Accountancy Europe	Member or Regional Body	Europe
04	New Zealand Accounting Standards Board (NZASB) of the External Reporting Board (XRB)	Standard Setter / Standard Advisory Body	Australasia and Oceania
05	John Milne	Other	Australasia and Oceania
06	Valuology	Other	Europe
07	Accounting Standards Board (ASB South Africa)	Standard Setter / Standard Advisory Body	Africa and the Middle East
08	British Columbia (Office of the Comptroller General)	Preparer	North America
09	Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)	Standard Setter / Standard Advisory Body	Europe
10	Korea Institute of Public Finance	Member or Regional Body	Asia
11	Treasury Canada	Preparer	North America
12	Chartered Institute of Public Finance and Accountancy (CIPFA)	Member or Regional Body	Europe
13	Japanese Institute of Certified Public Accountants (JICPA)	Member or Regional Body	Asia
14	Institute of Chartered Accountants in England and Wales (ICAEW)	Member or Regional Body	Europe
15	Chartered Accountants Australia and New Zealand (CAANZ)	Member or Regional Body	Australasia and Oceania
16	Ernst & Young GmbH	Accountancy Firm	International
17	Public Sector Accounting Standards Board (PSASB)	Standard Setter / Standard Advisory Body	Africa and the Middle East
18	National Board of Accountants and Auditors (Tanzania)	Audit Office	Africa and the Middle East
19	European Commission	Preparer	Europe
20	Conselho Federal de Contabilidade (CFC)	Member or Regional Body	Latin America and the Caribbean
21	Pan African Federation of Accountants (PAFA)	Member or Regional Body	Africa and the Middle East
22	Association of Chartered Certified Accountants (ACCA)	Member or Regional Body	Europe
23	Liquid	Other	Australasia and Oceania
24	David Hardidge	Other	Australasia and Oceania
25	Conseil de Normalisation des Comptes Publics (CNoCP)	Standard Setter / Standard Advisory Body	Europe
26	WSP Opus	Other	Australasia and Oceania
27	APV	Other	Australasia and Oceania
28	IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Other	International
29	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Preparer	Australasia and Oceania
30	Malaysian Institute of Accounting	Member or Regional Body	Asia
31	PSAB (Canada)	Standard Setter / Standard Advisory Body	North America

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Appendix C - List of Preliminary Views and Specific Matters for Comment from the Measurement CP

Preliminary View 1—Chapter 2 (following paragraph 2.6)

The IPSASB's Preliminary View fair value, fulfillment value, historical cost and replacement cost require additional application guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly which measurement bases should be excluded from, or added to, the list, and why.

Preliminary View 2—Chapter 2 (following paragraph 2.6)

The IPSASB's Preliminary View is that the application guidance for the most commonly used measurement bases should be generic in nature in order to be applied across the IPSAS suite of standards. Transaction specific measurement guidance will be included in the individual standards providing accounting requirements and guidance for assets and liabilities.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and state what guidance should be included, and why.

Preliminary View 3—Chapter 2 (following paragraph 2.10)

The IPSASB's Preliminary View is that guidance on historical cost should be derived from existing text in IPSAS. The IPSASB has incorporated all existing text and considers Appendix C: Historical Cost–Application Guidance for Assets, to be complete.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

Preliminary View 4—Chapter 2 (following paragraph 2.16)

The IPSASB's Preliminary View is that fair value guidance should be aligned with IFRS 13, taking into account public sector financial reporting needs and the special characteristics of the public sector. The IPSASB considers Appendix A: Fair Value–Application Guidance, to be complete.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

Preliminary View 5—Chapter 2 (following paragraph 2.28)

The IPSASB's Preliminary View is that fulfilment value guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. The IPSASB considers Appendix B: Fulfilment Value–Application Guidance, to be complete.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

Preliminary View 6—Chapter 2 (following paragraph 2.28)

The IPSASB's Preliminary View is that replacement cost guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. The IPSASB considers Appendix D: Replacement Cost–Application Guidance, to be complete.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

Preliminary View 7—Chapter 3 (following paragraph 3.28)

The IPSASB's Preliminary View is that all borrowing costs should be expensed rather than capitalized, with no exception for borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

Do you agree with the IPSASB's Preliminary View?

If not, please state which option you support and provide your reasons for supporting that option.

Preliminary View 8—Chapter 3 (following paragraph 3.36)

The IPSASB's Preliminary View is that transaction costs in the public sector should be defined as follows:

> **Transaction costs** are incremental costs that are directly attributable to the acquisition, issue or disposal of an asset or liability and would not have been incurred if the entity had not acquired, issued or disposed of the asset or liability.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and provide an alternative definition for the IPSASB to consider.

Preliminary View 9—Chapter 3 (following paragraph 3.42)

The IPSASB's Preliminary View is that transaction costs should be addressed in the IPSAS, *Measurement*, standard for all IPSAS.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and state how you would address the treatment of transaction costs in IPSAS, together with your reasons for supporting that treatment.

Preliminary View 10—Chapter 3 (following paragraph 3.54)

The IPSASB's Preliminary View is that transaction costs incurred when entering a transaction should be:

- Excluded in the valuation of liabilities measured at fulfillment value;

- Excluded from the valuation of assets and liabilities measured at fair value; and

- Included in the valuation of assets measured at historical cost and replacement cost.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment.

Preliminary View 11—Chapter 3 (following paragraph 3.54)

The IPSASB's Preliminary View is that transaction costs incurred when exiting a transaction should be:

- Included in the valuation of liabilities measured at fulfillment value;

- Excluded from the valuation of assets and liabilities measured at fair value; and

- Excluded in the valuation of assets measured at historical cost and replacement cost.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment.

Specific Matter for Comment 1—Chapter 2 (following paragraph 2.29)

Definitions relating to measurement have been consolidated in the core text of the Illustrative ED.

Do you agree that the list of definitions is exhaustive?

If not, please provide a listing of any other definitions that you consider should be included in the list and the reasons for your proposals.

Specific Matter for Comment 2—Chapter 3 (following paragraph 3.5)

Guidance in International Valuation Standards (IVS) and Government Financial Statistics (GFS) has been considered as part of the Measurement project with the aim of reducing differences where possible; apparent similarities between IPSAS, IVS and GFS have been noted. Do you have any views on whether the IPSASB's conclusions on the apparent similarities are correct?

Do you agree that, in developing an Exposure Draft, the IPSASB should consider whether the concepts of Equitable Value and Synergistic Value should be reviewed for relevance to measuring public sector assets (see Addendum B)?

Specific Matter for Comment 3—Chapter 4 (following paragraph 4.21)

Do you agree that the measurement flow charts (Diagrams 4.1 and 4.2) provide a helpful starting point for the IPSASB to review measurement requirements in existing IPSAS, and to develop new IPSAS, acknowledging that other matters need to be considered, including:

- The Conceptual Framework Measurement Objective;

- Reducing unnecessary differences with GFS;

- Reducing unnecessary differences with IFRS Standards; and

- Improving consistency across IPSAS.

If you do not agree, should the IPSASB consider other factors when reviewing measurement requirements in existing IPSAS and developing new IPSAS? If so, what other factors? Please provide your reasons.

Agenda Item 11.3.4

Appendix D – CAG Paper – Measurement

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Meeting: IPSASB Consultative Advisory Group

Meeting Location: Abu Dhabi, United Arab Emirates

Meeting Date: December 9, 2019

Agenda Item 8

For:
- ☐ Approval
- ☒ Discussion
- ☒ Information

MEASUREMENT

Project summary	Project will revise IPSAS requirements for measurement, provide guidance on measurement and address the treatment of transaction costs and borrowing costs.	
Meeting objectives	***Topic***	***Agenda Item***
Discussion items	Initial Review of Responses	8.1
Other supporting items	Appendix A: IPSASB Due Process Checklist	8.2

Agenda item 8.1

Measurement: Initial Review of Responses

Background

1. After completing *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) in 2014, the IPSASB recognized a need to address measurement requirements in IPSAS. Feedback from constituents on the IPSASB's 2014 Strategy and Work Plan consultation, noted significant support for a public sector Measurement project.

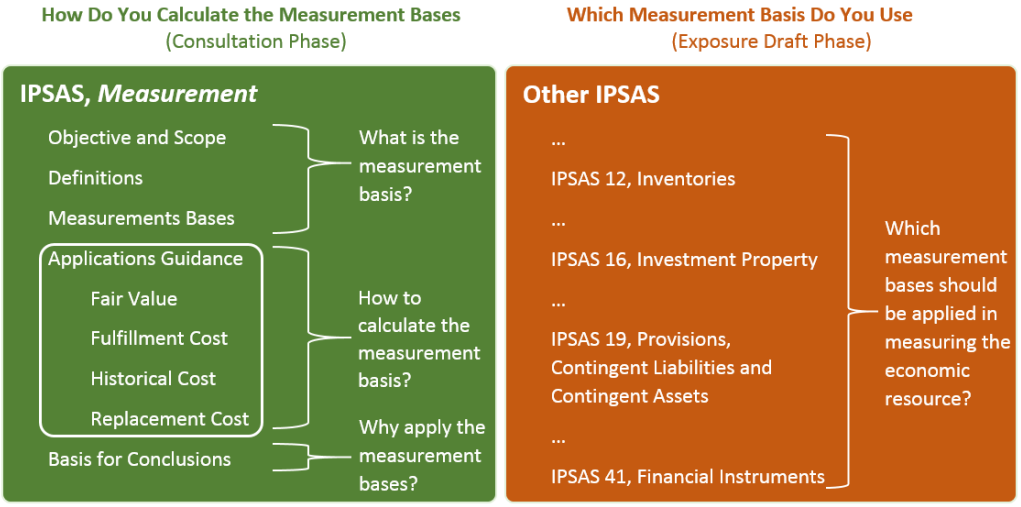
2. The Measurement project began in 2017, with the rationale that measurement requirements in IPSAS should be amended to better align with the Conceptual Framework. The project's objectives are to:

   (a) Provide more detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which these measurement bases will be used;
   (b) Address transaction costs and borrowing costs; and
   (c) Where necessary, issue amended IPSAS with revised requirements for measurement at initial recognition and subsequent measurement.

Project Output

3. The IPSASB intends to produce a standard, IPSAS XX, *Measurement,* that identifies the most commonly used measurement bases for measuring assets and liabilities for public sector entities applying IPSAS. The standard would provide definitions and explanatory text for those measurement bases, i.e., it would answer the "what?" question for each measurement basis. The appendices to IPSAS XX, *Measurement*, would include application guidance on how to calculate those measurement bases, i.e. it would answer the "how" question for the application of the respective measurement bases. The Basis for Conclusions would explain why the IPSASB thinking in relation how particular issues were addressed in IPSAS XX, *Measurement*.

Diagram 1: Relationship between IPSAS, Measurement, and Other IPSASs



4. Other IPSAS would continue to address the choice of a measurement basis, i.e., they would address the "which measurement basis" question. For example, IPSAS 17, *Property, Plant and Equipment*, provides requirements for which measurement bases to use when accounting for property, plant and

equipment, while IPSAS 41*, Financial Instruments*, identifies the appropriate measurement bases when measuring financial instruments.

Project Roadmap

5. Diagram 2 illustrates the process the IPSASB intends to follow to develop IPSAS XX, *Measurement*. The IPSASB recently completed the Consultation Paper Phase, represented by the orange arrow on the left, where it took an innovative approach by including an Illustrative ED to demonstrate the concepts prosed in the CP.

Diagram 2: The Process from Consultation to Approved IPSAS, Measurement



6. The IPSASB issued its Measurement Consultation Paper, including an Illustrative ED, on April 30, 2019. The comment period closed on October 14, 2019.

Responses Received

7. Overall, 31 individual responses were received by the IPSASB, representing over 100 organizations. IPSASB Staff was pleased with the level of response and found the majority of the responses provided insightful targeted feedback for the Board to consider as the project progresses to the next stage.

8. Of the comments raised by respondents, IPSASB staff identified three to seek advice from the CAG:

   (a) Appropriateness of including an Illustrative Exposure Draft with a Consultation Paper;
   (b) Accounting for Borrowing Costs; and
   (c) Tension with the Limited-Scope Review of the Conceptual Framework project.

Illustrative Exposure Draft

9. As noted in paragraph 5, the IPSASB adopted an innovative approach in developing the Measurement CP, with a hope to get richer feedback on the proposals. By including an Illustrative ED in the CP, the IPSASB took an innovative approach based on advice from the Public Interest Committee to improve the time it takes to develop standards.

10. This approach was discussed by CAG members at the December 2018 meeting. Feedback from members of the CAG was mixed ranging from supportive because it gave respondents an idea of what the final product would look like, to cautions because the Illustrative ED:

    (a) Was not be a fully developed document;
    (b) May have appeared that the IPSASB is bypassing a state of due process;
    (c) Lacked consequential amendments which are key for respondents to consider; and
    (d) May have resulted in a waste of IPSASB Staff resources should respondents disagree with the proposed approach.

11. While not prompted by a specific matter for comment, a number of respondents commented on this approach. Given members' previous discussion, this seemed like an opportune time to revisit the approach taken with members of the CAG and receive additional input.

12. While not an overwhelming number of respondents specifically addressed this issue, all except for one respondent, strongly supported this new approach. Respondent 07 which was providing a consolidated response for a number of stakeholders, summarized both sides of the debate well in its response as follows:

    There were mixed reactions to the approach. Some stakeholders supported the publication of both a Consultation Paper and an "illustrative" Exposure Draft as this helped to visualise at least one part of the project output. These stakeholders however indicated that they did not focus on reviewing the technical content of the illustrative Exposure Draft because it was marked as "illustrative". Other stakeholders indicated that they found it difficult to engage with the issues because the ideas were not well enough developed and were too conceptual.

13. Respondent 04, which was the respondent that opposed this approach noted:

    The IPSASB has trialed a new approach with this CP and included an illustrative ED. The IPSASB hoped that this approach would provide constituents with a clearer view of the IPSASB's direction of travel, by showing how the ideas in the CP could be reflected in a draft IPSAS. We appreciate the IPSASB's intentions, but have not found this approach to be helpful. We would have found it more helpful if the IPSASB had developed a consultation paper in the usual way. We believe this approach has led to the omission of some important first steps, including undertaking the conceptual thinking we have highlighted above and consulting on these matters.

    In addition, the partial nature of the illustrative ED has made it difficult to comment on the guidance. The amendments to other standards are critical to forming a view on the appropriateness of the measurement bases selected and the appropriateness and completeness of the proposed application guidance. A Basis for Conclusions is also essential for commenting on an ED.

14. In reviewing the responses, IPSASB Staff felt the responses were targeted and well thought out providing the IPSASB with clear issues to consider. This may be due to a variety of reasons such as:

    (a) Measurement is an important topic pervasive to the suite of standards;
    (b) Clear Preliminary Views and Specific Matters for Comments; and / or
    (c) Inclusion of an Illustrative ED.

15. Regardless of the reason, this approach seemed to help the majority of constituents provide detailed responses on the Measurement CP and might be a useful approach for future projects.

Question to CAG Members

Staff are of the view this approach is beneficial for select projects going forward. Given the responses noted, does the CAG agree?

Borrowing Costs

16. IPSAS 5, *Borrowing Costs,* defines borrowing costs as interest and other expenses incurred by an entity in connection with the borrowing of funds. The benchmark treatment in IPSAS 5 requires the immediate expensing of borrowing costs. However, IPSAS 5 permits the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

17. Due to the challenges in allocating borrowing costs to assets when borrowing is managed centrally, the CP proposed all borrowing costs be expensed. This was discussed by CAG members at the June 2017 meeting in the context of the issues the measurement project aims to address. One of those

issues was clarification when accounting for borrowing costs. While discussion on this topic was limited, some members noted alignment with GFS should be considered, and where alignment is not possible, differences should be tracked.

18. Respondents were almost evenly split on their views on this proposal.

19. Respondents that supported the CP's preliminary view noted:

    (a) Expensing borrowing costs achieves greater comparability across entities;
    (b) Borrowings in the public sector are centralized which creates challenges in allocating borrowing costs to specific projects or assets;
    (c) Borrowing costs are not a characteristic of the asset and the financing decision is not relevant to the measurement of the asset; and
    (d) Simplicity in application.

20. Respondents that disagreed with the CP's preliminary view noted:

    (a) Difficulties in attributing borrowing costs to specific projects in the public sector is exaggerated and is an insufficient reason to diverge from private sector accounting treatment. Large conglomerates in the private sector face similar challenges and are able to capitalize borrowing costs;
    (b) By failing to include borrowing costs into the overall cost of the asset, there will be a failure to measure the cost of the asset to its service potential;
    (c) Immediate expensing of borrowing costs leads to inconsistency in treatment with the requirement to capitalize transaction costs directly attributable to the acquisition of an asset; and
    (d) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset.

21. Some respondents, both for and against the preliminary view, suggested the IPSASB consider maintaining the status quo and allow for an accounting policy choice.

22. There appears to be two options for the IPSASB to consider:

    (a) Proceed with the preliminary view and require all borrowing costs be expensed; or

    (b) Maintain the existing requirements in IPSAS 5 and allow for an accounting policy choice of whether to expense or capitalize borrowing costs.

Question to CAG Members

Are there any public interest considerations the IPSASB should take into account when evaluating the two approaches? Is there another approach the IPSASB should consider?

Limited-Scope Review of the Conceptual Framework

23. Some respondents noted, the IPSASB needs to prioritize work on its Limited-Scope Review of the Conceptual Framework. One of the measurement project's stated objectives is to better align IPSAS with the Conceptual Framework. Some respondents suggest the IPSASB cannot meet this objective without first deciding what changes, if any, are required to the measurement chapter in the Conceptual Framework. This was raised in regard to a number of specific issues:

    (a) **Market value**. The CP identifies fair value, as defined in IFRS 13, *Fair Value Measurement*, as a measurement basis. The IPSASB's Conceptual Framework, issued in 2014, identifies market

value, not fair value, as a measurement basis. The IPSASB needs to address the practical differences between fair value and market value and whether both measurement bases are required.

(b) **Replacement cost**. Is identified in the CP as a valuation technique that can be applied when determining fair value. The CP also identifies replacement cost as a unique measurement basis in its own. The IPSASB needs to address practical differences between replacement costs as a measurement basis and as a valuation technique and whether both are required.

(c) **Other measurement bases**. The IPSASB's Conceptual Framework identifies eight measurement bases. Of these eight, the CP identified four measurement bases that were applied in IPSAS that required application guidance. The IPSASB needs to address whether the remaining measurement bases will be maintained in the Conceptual Framework.

24. The IPSASB was aware of these issues and the tension between the Measurement project and the Limited-Scope Review of the Conceptual Framework project when the CP was issued. The IPSASB sought to address this tension by starting the Limited-Scope Review of the Conceptual Framework project in January 2020 when the responses to the Measurement CP are being analyzed. This allows for both projects to run in parallel and ensures that the limited scope review considers the responses to the Measurement CP.

25. Staff believe from a program management perspective it is important that the measurement elements of the Limited Scope Review of the Conceptual Framework are completed and exposed in tandem with the ED on measurement. However, staff does not believe it is appropriate, or needed, to pause measurement for this reason.

26. Furthermore, Staff are of the view running both projects in parallel is in the public interest because:

(a) **Consistent Guidance.** Considering measurement issues at the IPSAS level and the conceptual framework level facilitates the development of guidance that is complementary in both the Measurement IPSAS and the Conceptual Framework. Consistent principles across IPSAS should reduce confusion for constituents and facilitate comparability and consistency of IPSAS guidance.

(b) **Consistent Analysis.** Addressing measurement issues related to both projects at the same time ensures consistent decisions are made by the IPSASB. Addressing the same issue at different times can result in incomplete information when making decisions due to changes in Staff or members of the IPSASB. This consistent decision making should provide for a stronger, more direct link between the Conceptual Framework and the Measurement IPSAS.

(c) **Address Issues Congruently.** The IPSASB is aware there are inconsistencies between the proposals put forward in the Measurement CP and the Conceptual Framework. Running the projects in parallel allows these issues to be addressed jointly allowing constituents to understand how all guidance works together.

Question to CAG Members

Do members of the CAG believe the IPSASB has adequately addressed the public interest by operating the Limited-Scope Review of the Conceptual Framework project and the Measurement project in parallel?

Appendix A: IPSASB Due Process Checklist

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the project brief at its March and June 2015 meetings as part of its Work Plan discussions. The project brief was approved in June 2015 (see the June 2015 minutes).
A2.	The IPSASB has approved the project in a public meeting.	Yes	When the project went live in March 2017 the IPSASB made minor amendments to the project brief and re-approved it. See the approved project brief and the March 2017 minutes.
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	This step was not in effect for this project at this point in time.
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper, or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB issued a Consultation Paper on April 30, 2019.
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	N/A	Responses are currently being analyzed in the same manner as comments received on an exposure draft.
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	N/A	Consultation on significant issues is being performed as part of the December 2019 meeting.
B4.	The IPSASB has approved the issue of the exposure draft.	Yes	This step has not been reached. Development of the exposure draft is in progress.