

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Virtual Meeting

**Meeting Date:** December 7–10 and 14–15, 2021

# Agenda Item 11

For:

☐ Approval

☒ Discussion

☐ Information

## MEASUREMENT SUITE OF EXPOSURE DRAFTS (ED 76-79)

<b>Project summary</b>	<p>The aim of the measurement suite of projects is to develop:</p> <ul style="list-style-type: none"> <li>• Straight-forward measurement principles, by way of a measurement hierarchy, that apply throughout IPSAS and align with the Conceptual Framework;</li> <li>• Enhanced guidance clarifying the recognition and measurement of infrastructure and heritage assets that are Property, Plant, and Equipment; and</li> <li>• A standard that fills a gap for assets held for sale and discontinued operations.</li> </ul>	
<b>Task Force members</b>	<ul style="list-style-type: none"> <li>• David Watkins, IPSASB Technical Advisor (Task Force Chair)</li> <li>• Takeo Fukiya, IPSASB Technical Advisor</li> <li>• Francesco Capalbo, Second University of Naples</li> <li>• Jonathan Fothergill, RICS</li> <li>• Elles Mukunyadze, Public Accountants and Auditors Board (Zimbabwe)</li> </ul>	
<b>Meeting objectives</b>  <b>Project management</b>	<b>Topic</b>	<b>Agenda Item</b>
	<a href="#">Measurement suite of Exposure Drafts: Project Roadmap</a>	<a href="#">11.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">11.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">11.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Preliminary Review of Responses for the Measurement Suite of Exposure Drafts</a>	<a href="#">11.2.1</a>
	<a href="#">Measurement Suite of Projects – CAG Feedback</a>	<a href="#">11.2.2</a>
<b>Other supporting items</b>	<a href="#">Exposure Draft (ED) 76, <i>Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements: Analysis of Respondents by Region, Function and Language</i></a>	<a href="#">11.3.1</a>
	<a href="#">Exposure Draft (ED) 77, <i>Measurement: Analysis of Respondents by Region, Function and Language</i></a>	<a href="#">11.3.2</a>
	<a href="#">Exposure Draft (ED) 78, <i>Property, Plant, and Equipment: Analysis of Respondents by Region, Function and Language</i></a>	<a href="#">11.3.3</a>
	<a href="#">Exposure Draft (ED) 79, <i>Non-Current Assets Held for Sale and Discontinued Operations: Analysis of Respondents by Region, Function and Language</i></a>	<a href="#">11.3.4</a>

	<a href="#"><u>Consultative Advisory Group (CAG) Paper on Responses to Measurement Suite of Projects</u></a>	<a href="#"><u>11.3.5</u></a>
	<a href="#"><u>IPSASB Due Process Checklist (condensed to included portions relevant to the current project phase)</u></a>	<a href="#"><u>11.3.6</u></a>

### MEASUREMENT SUITE OF EXPOSURE DRAFTS (ED 76-79): PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
<b>ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</b>	
March 2020	1. Approval of Limited Scope Update of Conceptual Framework Project Brief
June 2020	1. Discussion of Issues
September 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft
December 2020	1. Approve Exposure Draft
April 2021 – October 2021	1. Document Out for Comment
December 2021	1. Preliminary Review of Responses
March 2022	1. Review Responses 2. Discuss Issues
June 2022	1. Review Responses 2. Discuss Issues 3. Develop Framework
September 2022	1. Approve Framework
<b>ED 77, Measurement</b>	
March 2019	1. Approve Consultation Paper and Illustrative Exposure Draft
June 2019 – 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
September 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft
December 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft
April 2021 – October 2021	1. Document Out for Comment
December 2021	1. Preliminary Review of Responses
March 2022	1. Review Responses 2. Discuss Issues
June 2022	1. Review Responses 2. Discuss Issues

	3. Develop Pronouncement
September 2022	1. Approve Pronouncement
<b>ED 78, Property, Plant, and Equipment</b>	
Earlier meetings (2015 - 2019)	1. The IPSASB developed its views on Heritage, Infrastructure, and Measurement, and issued two Consultation Papers (CP, Financial Reporting for Heritage in the Public Sector, and CP, Measurement).
March 2020	1. Decisions and instructions on Heritage, Infrastructure, and Measurement issues. 2. Instructions on revisions to IPSAS 17, Property, Plant and Equipment, to include in a [draft] ED for review in June 2020.
June 2020	1. Review [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment. 2. Decisions and instructions on Heritage, Infrastructure and Measurement issues. 3. Provide instructions on further revisions to [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment.
September 2020	1. Decisions and instructions on remaining Heritage, Infrastructure, and Measurement issues impacting [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment. 2. Review and approve text for inclusion in the [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment
December 2020	1. Approve ED 78 (IPSAS 17 Update), Property, Plant, and Equipment
April 2021 – October 2021	1. Document Out for Comment
December 2021	1. Preliminarily Review of Responses
March 2022	1. Review Responses 2. Discuss Issues
June 2022	1. Review Responses 2. Discuss Issues 3. Develop Pronouncement
September 2022	1. Approve Pronouncement
<b>ED 79, Non-Current Assets Held for Sale and Discontinued Operations</b>	
March 2020	1. Initial Review of Accounting for Non-Current Assets Held for Sale draft Project Brief and Outline
June 2020	1. Discuss Issues 2. Approval of Accounting for Non-current Assets Held for Sale Project Brief and Outline
September 2020	1. Approve Exposure Draft (ED)
April 2021 – October 2021	1. Document Out for Comment

## Agenda Item 11.1.1

December 2021	<ol style="list-style-type: none"><li>1. Review Responses</li><li>2. Discuss Issues</li></ol>
March 2022	<ol style="list-style-type: none"><li>1. Review Responses</li><li>2. Discuss Issues</li><li>3. Develop Pronouncement</li></ol>
June 2022	<ol style="list-style-type: none"><li>1. Approve Pronouncement</li></ol>

### INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
<b>ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</b>		
February 2021	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</a>	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</a>
<b>ED 77, Measurement</b>		
February 2021	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 77, Measurement</a>	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 77, Measurement</a>
<b>ED 78, Property, Plant, and Equipment</b>		
February 2021	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>
<b>ED 79, Non-Current Assets Held for Sale and Discontinued Operations</b>		
September 2020	1. All instructions provided up until September 2020 were reflected in the <a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>	1. All instructions provided up until December 2020 were reflected in the <a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>

## DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
<b>ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</b>		
February 2021	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</a>	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</a>
<b>ED 77, Measurement</b>		
February 2021	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 77, Measurement</a>	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 77, Measurement</a>
<b>ED 78, Property, Plant, and Equipment</b>		
February 2021	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>	1. All decisions made up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>
<b>ED 79, Non-Current Assets Held for Sale and Discontinued Operations</b>		
September 2020	1. All decisions made up until September 2020 were reflected in the <a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>	1. All decisions made up until September 2020 were reflected in the <a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>

## **Preliminary Review of Responses for the Measurement Suite of Exposure Drafts**

### **Purpose**

1. To provide the IPSASB with a preliminary analysis of the responses received for:
  - (a) Exposure Draft (ED) 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*;
  - (b) ED 77, *Measurement*;
  - (c) ED 78, *Property, Plant, and Equipment*; and
  - (d) ED 79, *Non-Current Assets Held for Sale and Discontinued Operations*.

### **Background**

2. On April 22, 2021, the IPSASB issued a suite of four EDs. They were published together to highlight the common measurement principles proposed and the ways they are applied consistently throughout the draft guidance. The four EDs address several key conceptual challenges and practical implementation issues identified by the public sector community by introducing:
  - (a) Straight-forward measurement principles, by way of a measurement hierarchy, that apply throughout IPSAS and align with the Conceptual Framework;
  - (b) Enhanced guidance clarifying the recognition and measurement of infrastructure and heritage assets that are Property, Plant, and Equipment; and
  - (c) A standard that fills a gap for assets held for sale and discontinued operations.
3. The comment period closed October 25, 2021. A total of 165 responses were received across the four EDs:
  - (a) ED 76 – 43 responses;
  - (b) ED 77 – 45 responses;
  - (c) ED 78 – 43 responses; and
  - (d) ED 79 – 34 responses.
4. For the December 2021 meeting, staff performed a preliminary review of the responses. Staff identified key issues for the IPSASB's focus in 2022. Staff will also consult with the Consultative Advisory Group (CAG) in December 2021 to obtain their advice and input on possible approaches for the project moving forward. Staff will provide the Board with a full analysis of the ED responses and recommend a detailed project plan to address issues identified for Board consideration in March 2022.
5. This paper provides the Board with the preliminary analysis of responses to the EDs, and a proposed plan to present a detailed analysis of responses to the Board in March 2022. Detailed respondent analysis for ED 76, ED 77, ED 78 and ED 79 is included in [Agenda Item 11.3.1](#), [Agenda Item 11.3.2](#), [Agenda Item 11.3.3](#) and [Agenda Item 11.3.4](#) respectively, including:
  - (a) Appendix A: Analysis of responses received by region, function, and language; and
  - (b) Appendix B: List of organizations or individuals that responded.



Unedited responses are posted on the website:

- [Responses to ED 76](#);
- [Responses to ED 77](#);
- [Responses to ED 78](#); and
- [Responses to ED 79](#).

### **Preliminary Analysis**

*Overarching themes in ED 76, ED 77, ED 78 and ED 79*

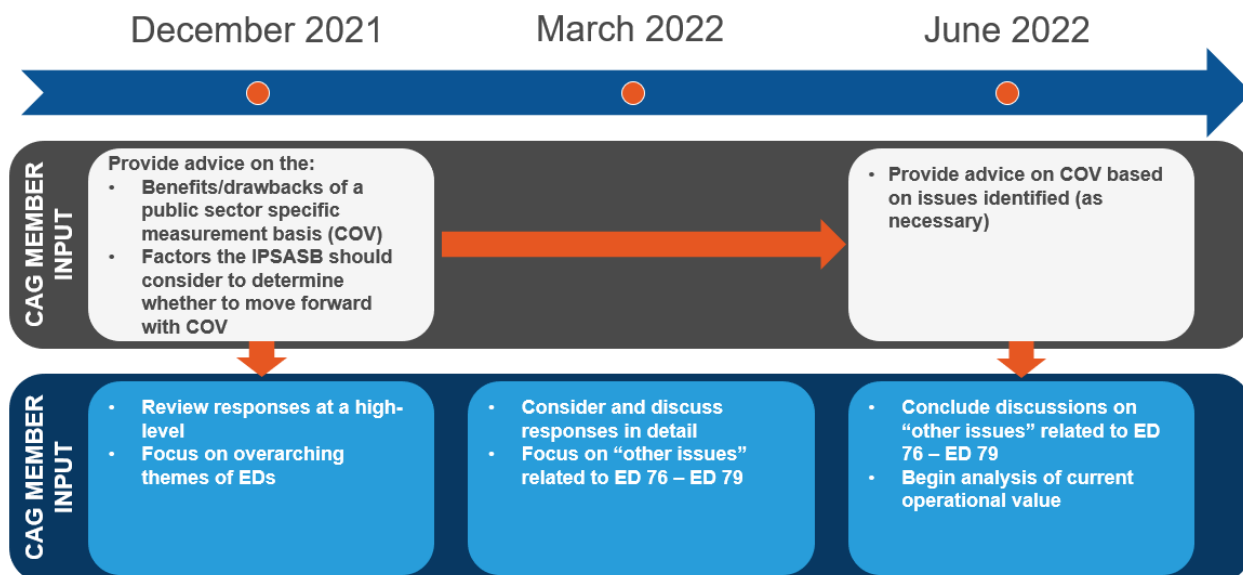
6. The proposed EDs were generally well-received. Respondents commended the IPSASB for managing these related projects and allowing constituents to evaluate the proposals holistically.
7. Staff's preliminary review of responses identified two overarching themes prevalent across the suite of EDs:
  - (a) **General support for the proposals across the EDs** – Except for Current Operational Value (COV), respondents strongly supported the proposals across the EDs. While minor issues exist requiring the IPSASB's attention, the preliminary analysis did not identify any significant issues.
  - (b) **Current operational value** – Substantive issues identified across the suite of EDs relate to COV. This was expected. COV is a measurement basis developed by the IPSASB to address measurement issues associated with public sector assets. Given the forward thinking incorporated into this basis, it is unfamiliar to respondents and requires clarification and further consideration.

A summary of high-level themes by ED is provided below.

*Use of resources in 2022*

8. Staff is optimistic after the preliminary review of responses. The two overarching themes position IPSASB well in 2022 to allocate resources appropriately to consider the concerns identified by respondents.
  - (a) **Short-term: immediate focus** – the IPSASB will first focus its attention on the other issues identified by respondents. These are issues that were raised as part of the general support for the proposals (clarification, additional guidance, more explanation, etc.).
  - (b) **Medium-term: focus on COV** – as the 'other issues' are completed, the IPSASB will turn its focus to current operational value.
9. Staff expect most 'other issues' to be addressed during the first half of 2022. By focusing on 'other issues' in the short term the IPSASB:
  - (a) **Can focus its full attention on COV.** The most complex issues identified by respondents related to COV. This will require significant IPSASB resources. By completing 'other issues', the IPSASB can focus its full attention on COV.
  - (b) **Complete a large amount of the final pronouncements.** Other issues identified by respondents are ancillary to COV and have no impact on the decisions the IPSASB will face in moving COV forward. This allows the IPSASB to lock down most of the final pronouncements while staff perform detailed analysis on COV.

- (c) **Provides staff with time to perform a detailed analysis of respondents' comments related to COV.** While the IPSASB focuses on 'other issues', staff will work in parallel on COV. This additional time will result in a more robust analysis of stakeholder responses and allows for significant engagement with experts in the valuation community.



10. Taken holistically, staff are encouraged by the responses. Responses supported the IPSASBs general direction proposed in the EDs while encouraging the IPSASB to further clarify its public sector specific measurement basis.

## ED 76 – High-level themes

11. Staff identified the following key themes in ED 76:
- (a) **General support for the proposal in the ED** – ED 76 proposed several changes to the measurement chapter in the Conceptual Framework. The most significant changes related to the addition and removal of measurement bases. Respondents:
- (i) Supported the inclusion of fair value, with the IFRS 13 definition, and for deletion of market value.
  - (ii) Generally supported the deletion of value in use, net selling price, cost of release and assumption price. There was considerable support for retaining replacement cost – however this is linked to comments related to current operational value – some support for retaining value in use, rather than replacing it with a description, and net selling price. A smaller number of respondents favored retention of cost of release or assumption price
- (b) **Current operational value** – Respondents broadly supported including COV in the framework, but there was some dissension, as follows:
- (i) **No need for a public sector specific measurement basis.** Fair value is appropriate for assets held for operational capacity. The IPSASB should focus on developing guidance on applying fair value in the public sector (i.e., how is the concept of 'highest and best use' applied in the public sector).

- (ii) **Replacement cost.** Respondents supported a public sector specific measurement basis for assets held for operational capacity, but suggested it be based on replacement cost.
- (iii) **Technically complex.** Including two complex current value measurement bases, COV and fair value, is onerous for preparers of financial statements, particularly as COV is a new measurement basis.

Dissenting responses on COV in ED 76 are consistent with the points raised in response to ED 77.

- (c) **Measurement hierarchy** –While there was general support for the measurement hierarchy some respondents had issues related to terminology, internal consistency and, for historical cost, the relationship between model and bases.

### *ED 77 – High-level themes*

12. Staff identified the following key themes in ED 77:

- (a) **General support for the proposal in the ED** – the ED asked three types of SMCs:
  - (i) Initial Measurement and Subsequent Measurement (except for COV) – SMCs 1–4 and 9–10;
  - (ii) COV – SMCs 5–8; and
  - (iii) Disclosures – SMCs 11–15.

Except for those related to COV, SMCs received strong support across the ED. The most prevalent comment received across those strongly supported SMCs, specifically SMCs 1–4 and 9–10, is a recommendation to further clarify and explain measurement principles proposed in the ED. Many respondents proposed including illustrative examples and implementation guidance to clarify the principles in practice. Others recommended more authoritative text to support constituents understanding of principles and making policy choices.

- (b) **Current operational value** – Respondents had mixed views on the applicability of COV in IPSAS. These are grouped into three broad categories:
  - (i) **Move forward with COV proposals** – Several respondents supported the COV proposals. These respondents agreed a public sector measurement basis was necessary for assets held for their operational capacity. They agreed COV appropriately reflected the needs of a user when making financial decisions regarding assets held for their operational capacity. To improve the proposals, these respondents suggested minor clarifications. For example, some suggested the proposed definition is open-ended. The definition states that COV is the “value” of an asset used to achieve the entity’s service delivery objectives. The definitions of other measurement bases, such as fair value, which requires assets be measured at the price that would be received to sell the item, are clearer in their objective.
  - (ii) **Build on COV proposals** – Several respondents agreed conceptually with COV. They agreed a public sector measurement basis was necessary to support the measurement of assets held for their operational capacity. However, consistent with the alternative view included with ED 76 and ED 77, several respondents found principles established

for COV unclear and recommended clarity be enhanced throughout. These respondents recommended the IPSASB work with the concepts developed but focus on how they can be applied practically by users (see example after paragraph 12(b)(iii)c).

(iii) **Depart from COV proposals** – Several respondents disagreed COV was appropriate for application in IPSAS. These respondents were of the view either:

- a. **Fair value can be applied throughout IPSAS.** COV should be removed, and fair value should be applied to all assets held in the public sector;
- b. **Fair value should be amended for the public sector.** Guidance in the fair value appendix should be updated to reflect the unique characteristics of public sector assets. For example, guidance should be developed to assist entities to understand better how the 'highest and best use' and 'market participants' concepts should be applied in the public sector context. They consider that applying the fair value basis to all non-financial assets, despite the need to exercise judgement in applying those concepts, would be preferable to understanding two measurement bases.
- c. **Use replacement cost.** Users are interested in the operating capacity of the government to provide public benefits, and the cost of replacing that capital if the entity was deprived of it. A replacement cost approach is an appropriate current measurement basis to reflect this objective.

Note – some respondents recommended incorporating replacement cost concepts with the COV proposals (**Build on COV proposals**). Under this view COV should be the replacement cost of the service potential embodied in the asset used to achieve an entity's service delivery objectives. **Departing from COV proposals** and using replacement cost in its place, would measure the cost to replace the asset. While these replacement cost recommendations are nuanced, this distinction is important for how the measurement basis is presented in the literature and how staff has distinguished between the recommendations.

Dissenting responses on COV in ED 77 are consistent with the points raised in response to ED 76.

(c) **Income approach** – respondents were split on whether the income approach could be applied as a technique to estimate COV. Respondents generally had two views:

- (i) **Disagree.** COV measures the value of assets that are held for their operational capacity to provide future services rather than primarily for cash/income generation. The future cash flows generated by the assets using an income approach are unlikely to be an appropriate surrogate or reflection of the value of the asset to the entity in its current use at the measurement date. Because these assets are not held for cash generation, using the income approach risks the assets being measured at an amount that would not represent the service potential that they embody or the cost of replacing their service potential.
- (ii) **Agree.** Most respondents that supported the income approach did so because they were of the view in limited circumstances income generated by an asset could approximate COV and therefore the technique should not be ruled out.

However, a limited number of respondents supported the income approach for reasons similar to those discussed by the IPSASB in June and September 2020. Specifically, those respondents noted the term “income approach” may be confusing to readers. They noted “income approach” is new terminology under IPSAS. Constituents may not intuitively understand what the “income approach” entails, as this measurement method is essentially discounted cash flows. To make this measurement method clear to stakeholders, this measurement method could be renamed to “discounted cash flows” as this terminology is already universally known and understood. Moreover, the term “income approach” may be confusing to use under select subsequent measurement bases, such as cost of fulfillment. Cost of fulfillment is only applicable to the measurement of liabilities, and therefore would include cash outflows and expenses (rather than any “income”). The term “discounted cash flows” would be better suited under all three subsequent measurement bases (current operational value, cost of fulfillment and fair value), would be simpler and better understood.

*ED 78 – High-level themes*

13. Staff identified the following key themes in ED 78:

- (a) **General support for the proposal in the ED** – There was general support for the proposals included in ED 78. However, many of those that supported the proposals requested further clarity and additional guidance. For example:
  - (i) SMCs 3 and 4 asked whether the characteristics of heritage and infrastructure proposed were adequate. Most agreed, but proposed additional characteristics be added.
  - (ii) SMCs 6 and 7 asked whether constituents agreed with the non-authoritative guidance. Most agreed, but proposed additional examples be developed.

Generally, responses were inconsistent in their suggestions in how to enhance the guidance. In recommending to the IPSASB what should be updated in the final pronouncement staff will consider whether constituent comments:

- (i) Present information the IPSASB had not previously considered;
  - (ii) Raise an issue specific to the public sector; or
  - (iii) Identify challenges when applying principles.
- (b) **Current operational value** – Responses to SMC 2 resulted in the broadest set of views. SMC 2 asked whether fair value and current operational value should be available as a policy choice when measuring PP&E using a current value measure. Across all responses (agree, partially agree, disagree or no comment) respondents often referred to their responses to ED 76 and ED 77, indicating they could not fully respond without a complete understanding of the final guidance on current operational value.

*ED 79 – High-level themes*

14. Staff identified the following key themes in ED 79:

- (a) **General support for the proposal in the ED** – There was general support for the proposals included in ED 79. However, similar to responses to ED 78, many of those that supported the proposals requested further clarity and additional guidance.

Similar to ED 78, responses were inconsistent in their suggestions in how to enhance the guidance. In recommending to the IPSASB what should be updated in the final pronouncement staff will consider the same criteria outlined in paragraph 13.

**Decision Required**

15. No decision required. For information purposes only.

## **Measurement Project – CAG Feedback**

### **Purpose**

1. To receive Consultative Advisory Group (CAG) feedback on public interest issues identified in the responses received for:
  - Exposure Draft (ED) 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*;
  - ED 77, *Measurement*;
  - ED 78, *Property, Plant, and Equipment*, and
  - ED 79, *Non-Current Assets Held for Sale and Discontinued Operations*.

### **Background**

2. The IPSASB staff will present an update on CAG member views and discussions from the December 6, 2021 CAG meeting.
3. The December 6, 2021 CAG meeting agenda paper on this topic is included as [Agenda Item 11.3.4](#) for information purposes.

### **Decision Required**

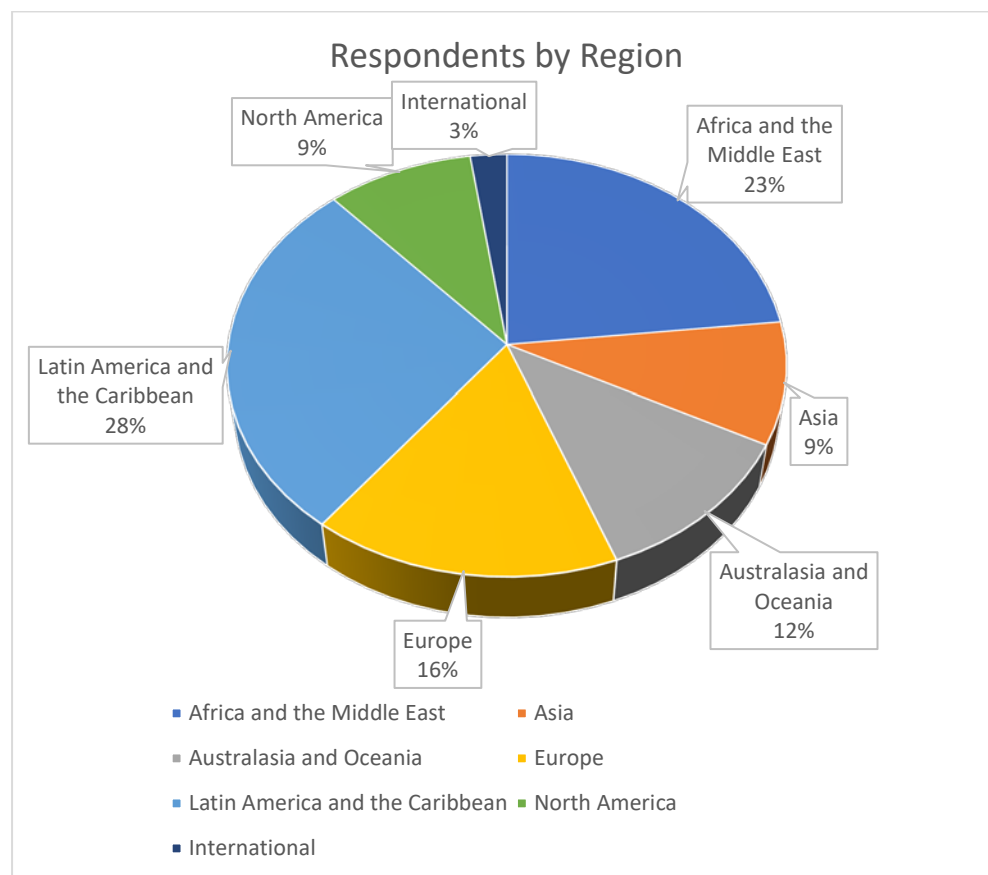
4. No decision required. For information purposes only.

**Supporting Document A – Exposure Draft (ED) 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements: Analysis of Respondents by Region, Function and Language***

**Appendix A: Analysis of Respondents by Region, Function and Language**

**Geographic Breakdown**

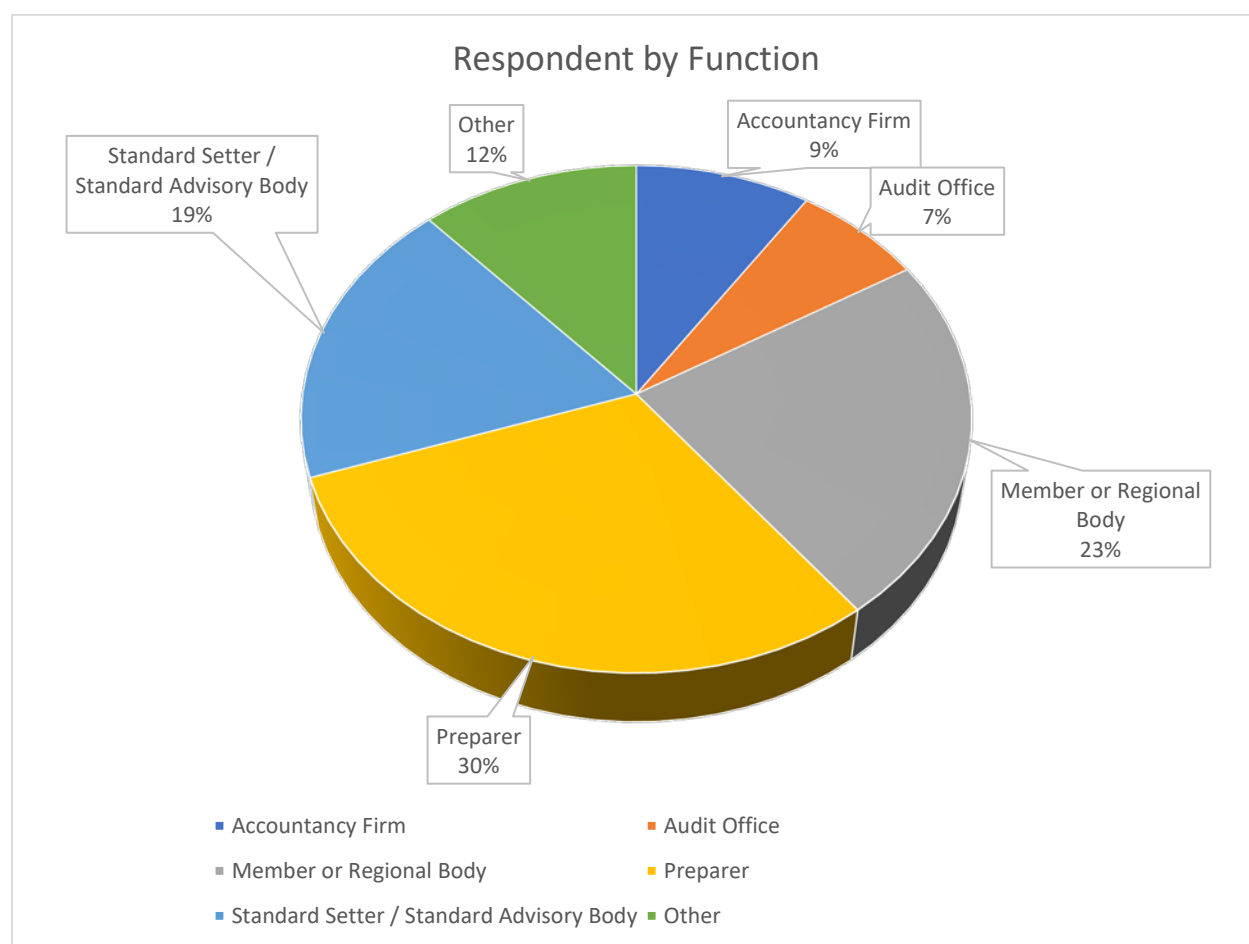
Region	Comment letter(s)	Total Respondents
Africa and the Middle East	01, 03, 16, 17, 18, 19, 33, 34, 36, 38	10
Asia	14, 15, 20, 40	4
Australasia and Oceania	02, 06, 07, 09, 13	5
Europe	04, 05, 08, 10, 11, 12, 32	7
Latin America and the Caribbean	21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 35, 37	12
North America	31, 41, 42, 43	4
International	39	1
<b>Total</b>		<b>43</b>





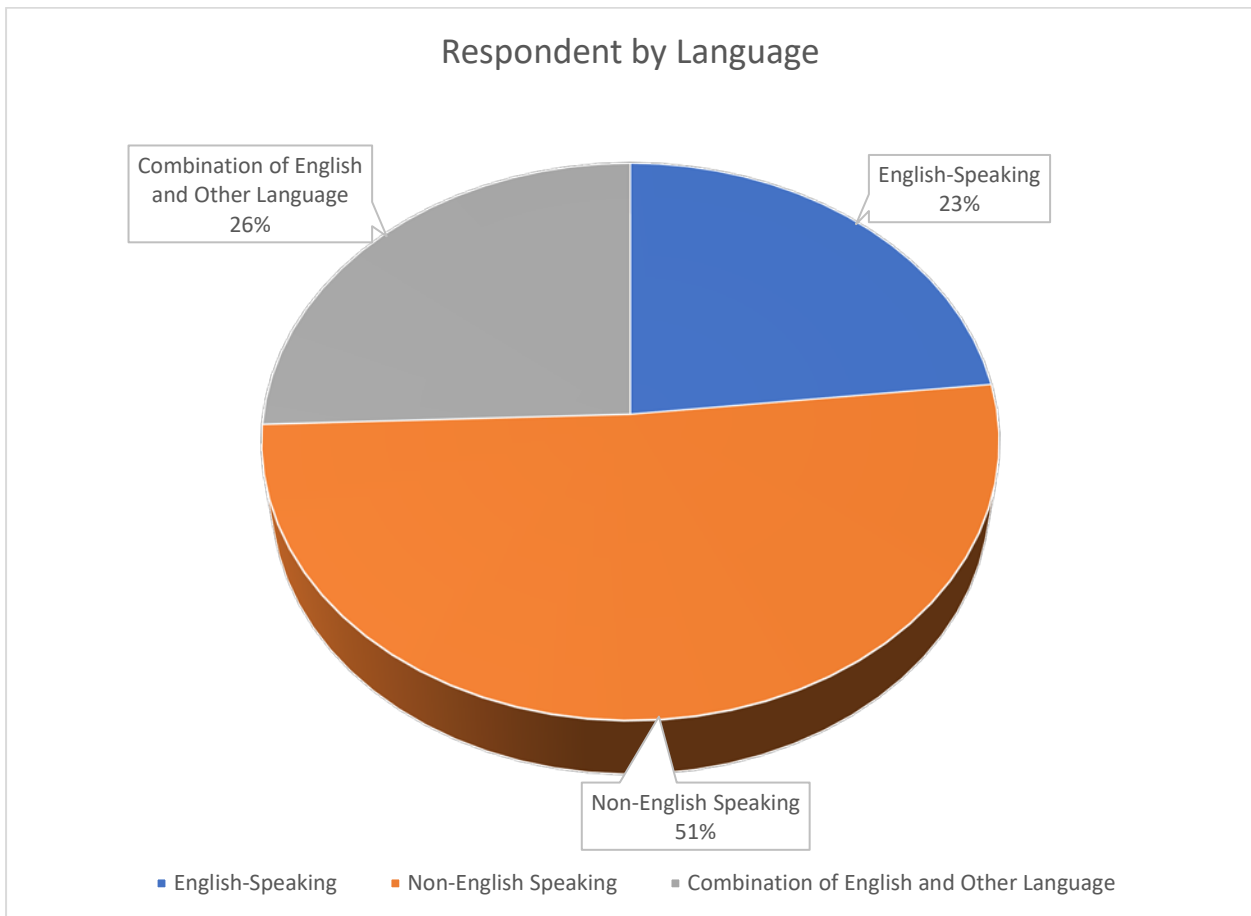
## Functional Breakdown

Function	Comment letter(s)	Total Respondents
Accountancy Firm	33, 39, 42, 43	4
Audit Office	02, 18, 31	3
Member or Regional Body	09, 14, 15, 19, 20, 32, 34, 35, 38, 40	10
Preparer	01, 03, 06, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30	13
Standard Setter / Standard Advisory Body	04, 05, 07, 13, 16, 17, 36, 41	8
Other	08, 10, 11, 12, 37	5
<b>Total</b>		<b>43</b>



*Linguistic Breakdown*

Language	Comment letter(s)	Total Respondents
English-Speaking	02, 06, 07, 08, 09, 12, 13, 16, 17, 32	10
Non-English Speaking	01, 03, 04, 05, 11, 14, 15, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 33, 35, 37	22
Combination of English and Other Language	10, 19, 31, 34, 36, 38, 39, 40, 41, 42, 43	11
<b>Total</b>		<b>43</b>



**Appendix B: List of Respondents**

Comment Letter #	Respondent	Country	Function
01	01- Accrual Accounting Center, Saudi Arabia	Saudi Arabia	Preparer
02	02-ACAG	Australia	Audit Office
03	03-ALLENS, ALOZIE & CO (CHARTERED ACCOUNTANTS)	Nigeria	Preparer
04	04-SRS	Switzerland	Standard Setter / Standard Advisory Body
05	05-CNOCP	France	Standard Setter / Standard Advisory Body
06	06-NZ Treasury	New Zealand	Preparer
07	07-XRB	New Zealand	Standard Setter / Standard Advisory Body
08	08-Valuology	United Kingdom	Other
09	09-CPA Australia and Chartered Accountants ANZ	Australia	Member or Regional Body
10	10-Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Not Applicable	Other
11	11-IDW - Institut der Wirtschaftsprüfer e.V.	Germany	Other
12	12-Kalar Consulting	United Kingdom	Other
13	13-AASB	Australia	Standard Setter / Standard Advisory Body
14	14-MICPA	Malaysia	Member or Regional Body
15	15-JICPA	Japan	Member or Regional Body
16	16-ASB	South Africa	Standard Setter / Standard Advisory Body
17	17-PSASB	Kenya	Standard Setter / Standard Advisory Body
18	18-PAAB	Zimbabwe	Audit Office
19	19-ICPAU	Uganda	Member or Regional Body
20	20-MIA	Malaysia	Member or Regional Body
21	21-FOCAL - Colombia	Colombia	Preparer
22	22-FOCAL - Ecuador	Ecuador	Preparer
23	23-FOCAL - El Salvador	El Salvador	Preparer
24	24-FOCAL - Guatemala	Guatemala	Preparer

## Agenda Item 11.3.1

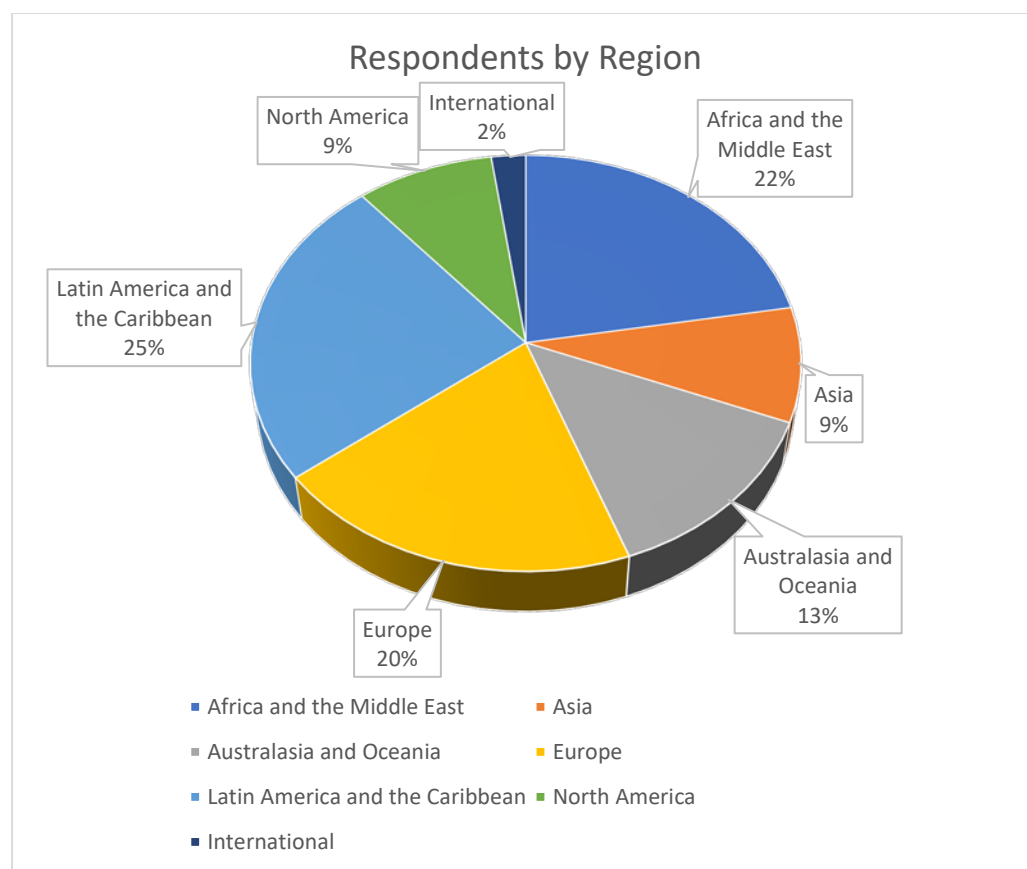
Comment Letter #	Respondent	Country	Function
25	25-FOCAL - Panama	Panama	Preparer
26	26-FOCAL - Peru	Peru	Preparer
27	27-FOCAL - Dominican Republic	Dominican Republic	Preparer
28	28-FOCAL - Uruguay	Uruguay	Preparer
29	29-FOCAL-Mexico	Mexico	Preparer
30	30-FOCAL-Chile	Chile	Preparer
31	31-Auditor General of Canada	Canada	Audit Office
32	32-CIPFA	United Kingdom	Member or Regional Body
33	33-CAA & TAS	Zimbabwe	Accountancy Firm
34	34-ICAN	Nigeria	Member or Regional Body
35	35-CFC	Brazil	Member or Regional Body
36	36- FRC	Nigeria	Standard Setter / Standard Advisory Body
37	37- Pontificia Universidad Javeriana	Colombia	Other
38	38-ICPAK	Kenya	Member or Regional Body
39	39-Ernst & Young GmbH	Not Applicable	Accountancy Firm
40	40-ICAI	India	Member or Regional Body
41	41- PSAB Canada	Canada	Standard Setter / Standard Advisory Body
42	42-Welch LLP	Canada	Accountancy Firm
43	43-KPMG	Canada	Accountancy Firm

## Supporting Document 2 – Exposure Draft (ED) 77, *Measurement: Analysis of Respondents by Region, Function and Language*

### Appendix A: Analysis of Respondents by Region, Function and Language

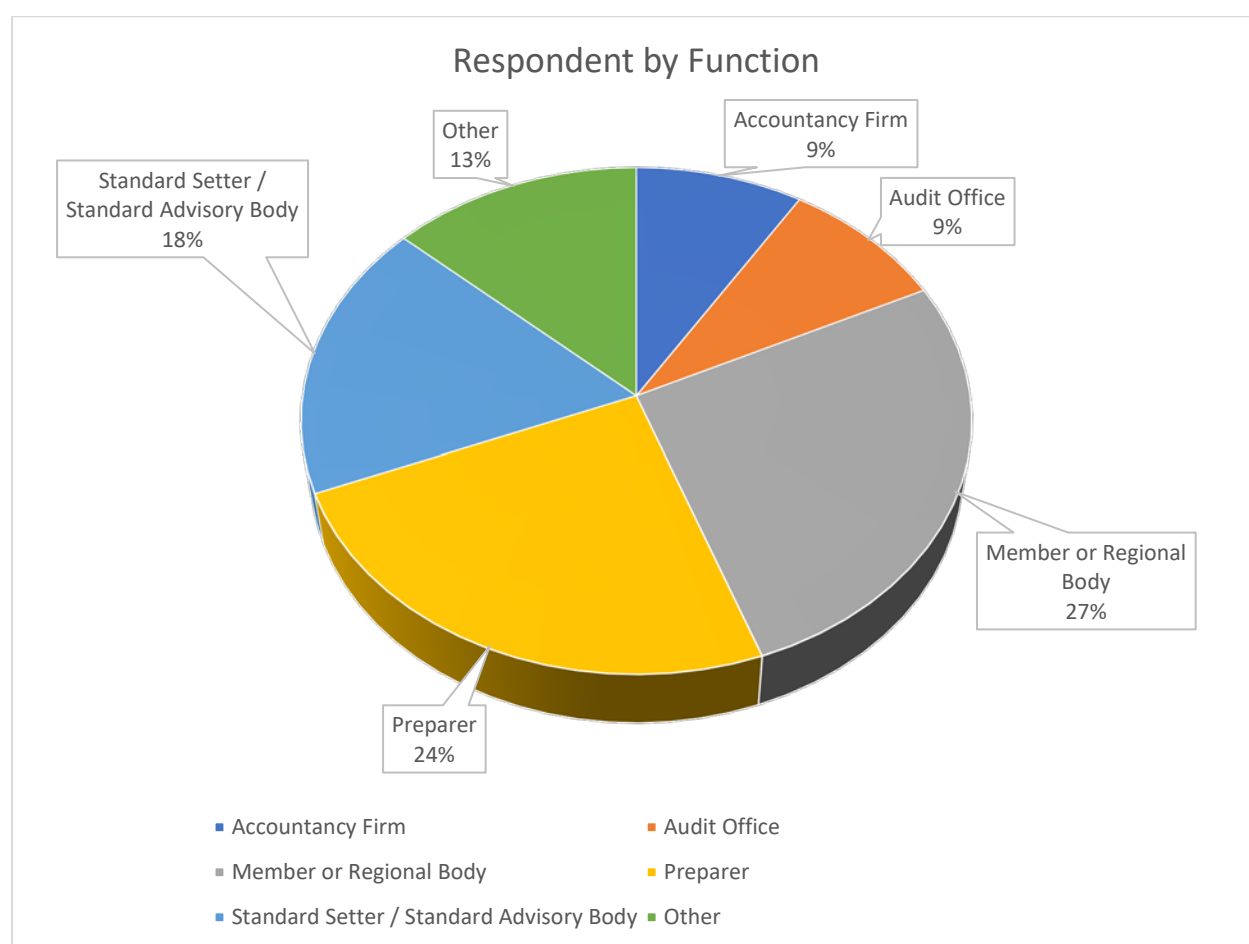
#### *Geographic Breakdown*

Region	Comment letter(s)	Total Respondents
Africa and the Middle East	03, 18, 19, 20, 21, 34, 35, 36, 38, 41	10
Asia	16, 17, 22, 42	4
Australasia and Oceania	02, 04, 08, 10, 11, 15	6
Europe	01, 05, 06, 07, 09, 12, 13, 14, 33	9
Latin America and the Caribbean	23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 39	11
North America	32, 43, 44, 45	4
International	40	1
<b>Total</b>		<b>45</b>



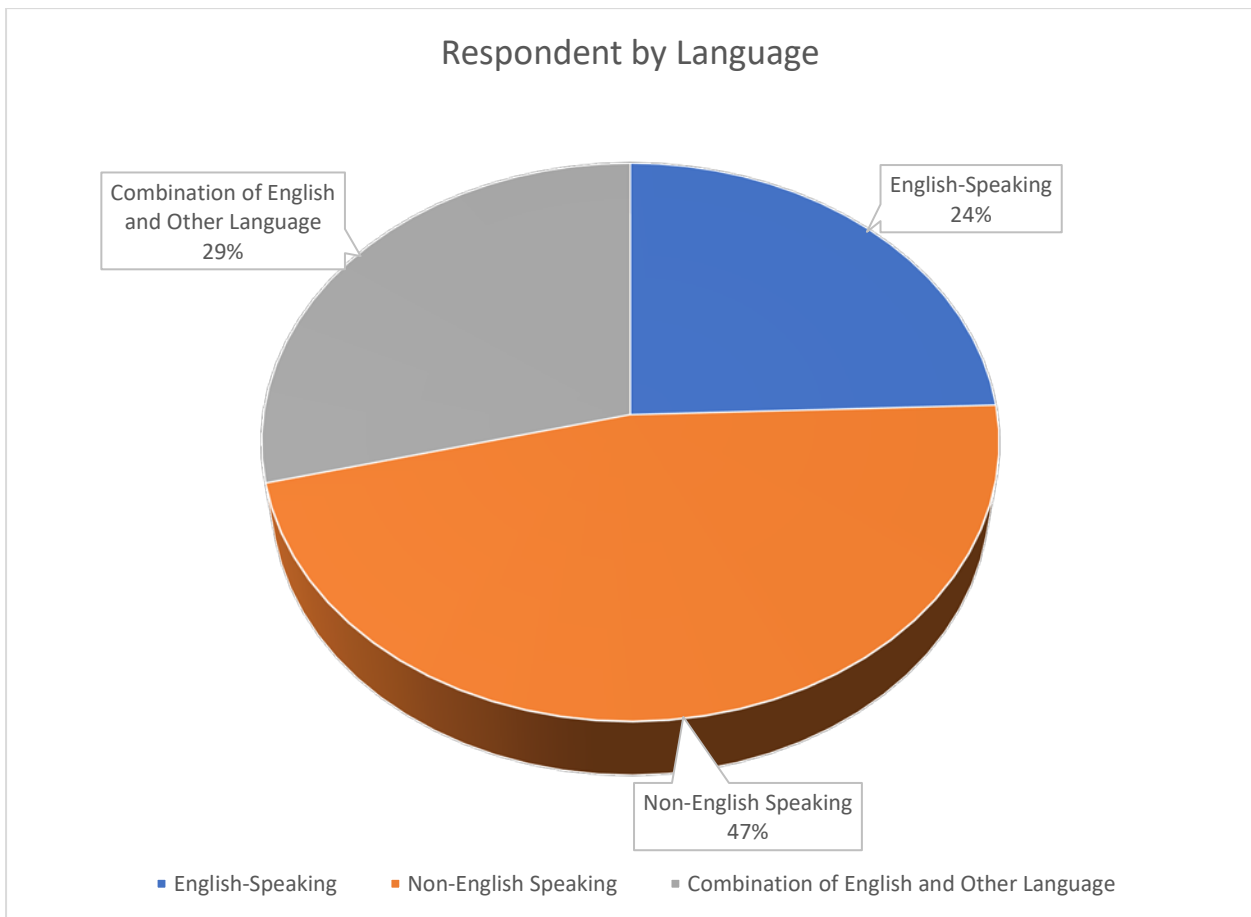
## Functional Breakdown

Function	Comment letter(s)	Total Respondents
Accountancy Firm	34, 40, 44, 45	4
Audit Office	02, 04, 20, 32	4
Member or Regional Body	06, 11, 16, 17, 21, 22, 33, 35, 36, 37, 41, 42	12
Preparer	03, 08, 23, 24, 25, 26, 27, 28, 29, 30, 31	11
Standard Setter / Standard Advisory Body	05, 07, 10, 15, 18, 19, 38, 43	8
Other	01, 09, 12, 13, 14, 39	6
<b>Total</b>		<b>45</b>



*Linguistic Breakdown*

Language	Comment letter(s)	Total Respondents
English-Speaking	02, 04, 08, 09, 10, 11, 14, 15, 18, 19, 33	11
Non-English Speaking	01, 03, 05, 07, 13, 16, 17, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 34, 37, 39	21
Combination of English and Other Language	06, 12, 21, 32, 35, 36, 38, 40, 41, 42, 43, 44, 45	13
<b>Total</b>		<b>45</b>



**Appendix B: List of Respondents**

Comment Letter #	Respondent	Country	Function
01	01-Jean-Bernard Mattret	France	Other
02	02-ACAG	Australia	Audit Office
03	03-Accrual Accounting Center, Saudi Arabia	Saudi Arabia	Preparer
04	04-Office of the Auditor-General NZ	New Zealand	Audit Office
05	05-SRS	Switzerland	Standard Setter / Standard Advisory Body
06	06-Accountancy Europe	Not Applicable	Member or Regional Body
07	07-CNOCP	France	Standard Setter / Standard Advisory Body
08	08-NZ Treasury	New Zealand	Preparer
09	09-Valuology	United Kingdom	Other
10	10-XRB	New Zealand	Standard Setter / Standard Advisory Body
11	11-CPA Australia and Chartered Accountants ANZ	Australia	Member or Regional Body
12	12-Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Not Applicable	Other
13	13-IDW - Institut der Wirtschaftsprüfer e.V.	Germany	Other
14	14-Kalar Consulting	United Kingdom	Other
15	15-AASB	Australia	Standard Setter / Standard Advisory Body
16	16-MICPA	Malaysia	Member or Regional Body
17	17-JICPA	Japan	Member or Regional Body
18	18-ASB	South Africa	Standard Setter / Standard Advisory Body
19	19-PSASB	Kenya	Standard Setter / Standard Advisory Body
20	20-PAAB	Zimbabwe	Audit Office
21	21-ICPAU	Uganda	Member or Regional Body
22	22-MIA	Malaysia	Member or Regional Body
23	23-FOCAL - Colombia	Colombia	Preparer
24	24-FOCAL - Ecuador	Ecuador	Preparer



## Agenda Item 11.3.2

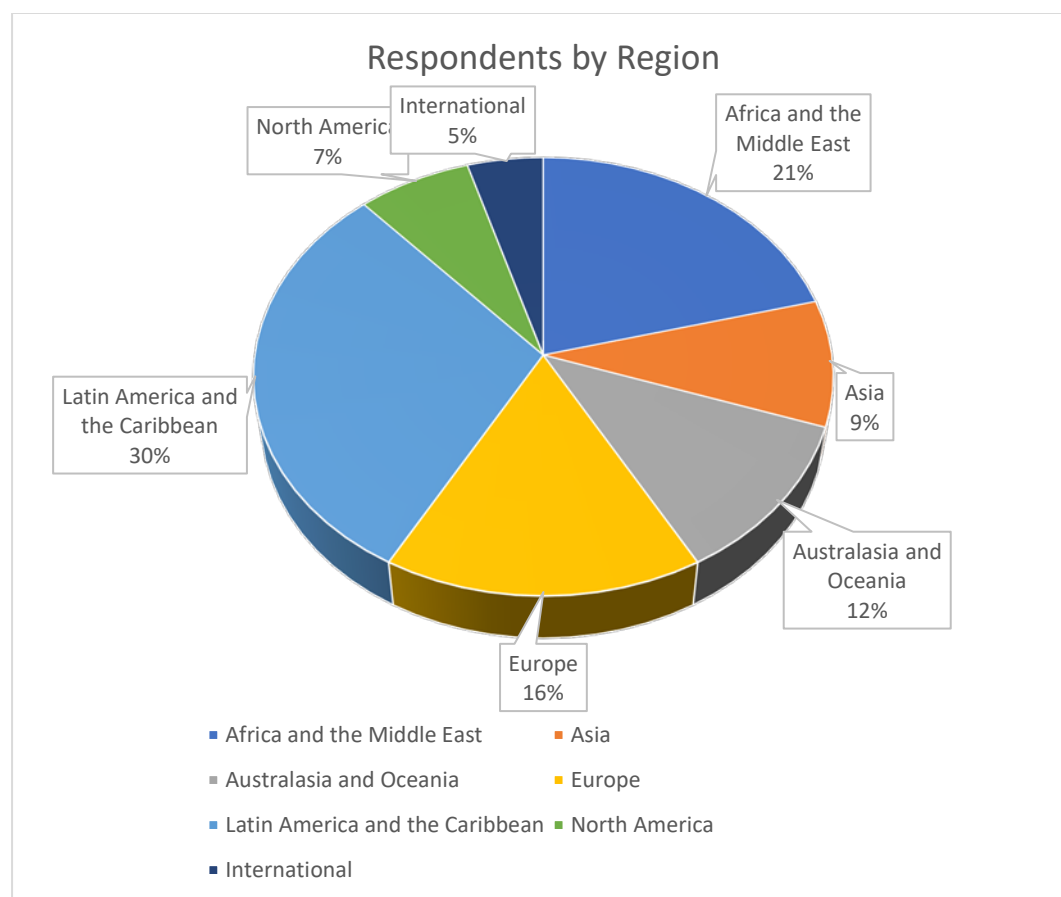
Comment Letter #	Respondent	Country	Function
25	25-FOCAL - El Salvador	El Salvador	Preparer
26	26-FOCAL - Guatemala	Guatemala	Preparer
27	27-FOCAL - Panama	Panama	Preparer
28	28-FOCAL - Peru	Peru	Preparer
29	29-FOCAL - Dominican Republic	Dominican Republic	Preparer
30	30-FOCAL - Uruguay	Uruguay	Preparer
31	31-FOCAL - Mexico	Mexico	Preparer
32	32-Auditor General of Canada	Canada	Audit Office
33	33-CIPFA	United Kingdom	Member or Regional Body
34	34-CAA & TAS	Zimbabwe	Accountancy Firm
35	35-NBAA	United Republic of Tanzania	Member or Regional Body
36	36-ICAN	Nigeria	Member or Regional Body
37	37-CFC	Brazil	Member or Regional Body
38	38- FRC	Nigeria	Standard Setter / Standard Advisory Body
39	39-Pontificia Universidad Javeriana	Colombia	Other
40	40-Ernst & Young GmbH	Not Applicable	Accountancy Firm
41	41-ICPAK	Kenya	Member or Regional Body
42	42-ICAI	India	Member or Regional Body
43	43- PSAB Canada	Canada	Standard Setter / Standard Advisory Body
44	44-Welch LLP	Canada	Accountancy Firm
45	45-KPMG	Canada	Accountancy Firm

**Supporting Document 3 – Exposure Draft (ED) 78, *Property, Plant, and Equipment: Analysis of Respondents by Region, Function and Language***

**Appendix A: Analysis of Respondents by Region, Function and Language**

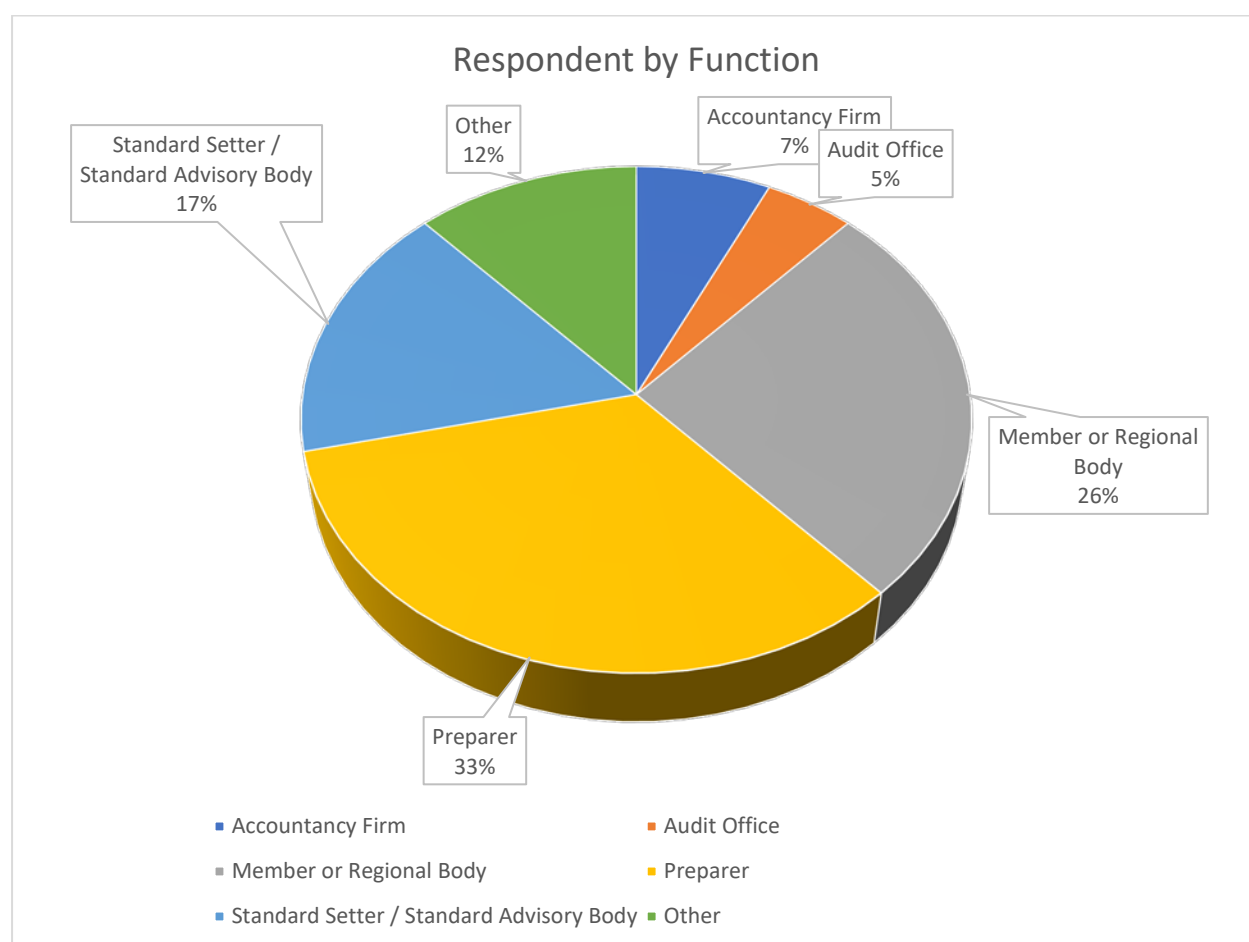
*Geographic Breakdown*

Region	Comment letter(s)	Total Respondents
Africa and the Middle East	01, 14, 16, 17, 18, 30, 33, 34, 36	9
Asia	10, 11, 39, 41	4
Australasia and Oceania	04, 06, 07, 12, 37	5
Europe	02, 03, 05, 08, 09, 15, 32	7
Latin America and the Caribbean	19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 35, 38	13
North America	31, 42, 43	3
International	13, 40	2
<b>Total</b>		<b>43</b>



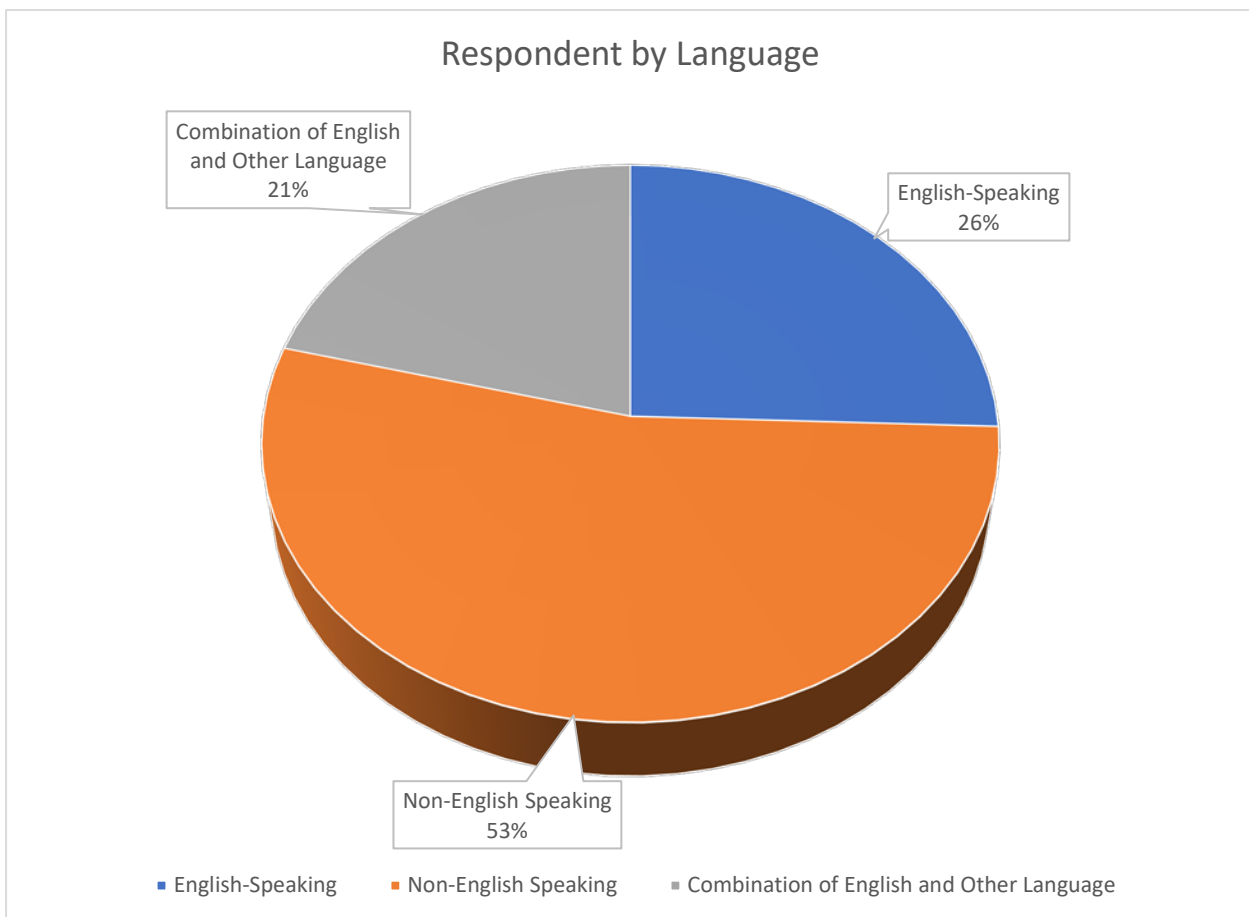
## Functional Breakdown

Function	Comment letter(s)	Total Respondents
Accountancy Firm	13, 33, 40, 43	4
Audit Office	17, 31	2
Member or Regional Body	07, 10, 11, 15, 18, 30, 32, 34, 35, 39, 41	11
Preparer	01, 04, 12, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29	14
Standard Setter / Standard Advisory Body	02, 03, 06, 14, 16, 36, 42	7
Other	05, 08, 09, 37, 38	5
<b>Total</b>		<b>43</b>



*Linguistic Breakdown*

Language	Comment letter(s)	Total Respondents
English-Speaking	04, 05, 06, 07, 09, 12, 14, 16, 32, 37, 42	11
Non-English Speaking	01, 02, 03, 10, 11, 15, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 33, 35, 38, 39	23
Combination of English and Other Language	08, 13, 18, 31, 34, 36, 40, 41, 43	9
<b>Total</b>		<b>43</b>



**Appendix B: List of Respondents**

Comment Letter #	Respondent	Country	Function
01	01-Accrual Accounting Center, Saudi Arabia	Saudi Arabia	Preparer
02	02-SRS	Switzerland	Standard Setter / Standard Advisory Body
03	03-CNOCP	France	Standard Setter / Standard Advisory Body
04	04- NZ Treasury	New Zealand	Preparer
05	05-Valuology	United Kingdom	Other
06	06-XRB	New Zealand	Standard Setter / Standard Advisory Body
07	07-CPA Australia and Chartered Accountants ANZ	Australia	Member or Regional Body
08	08-Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Not Applicable	Other
09	09-Kalar Consulting	United Kingdom	Other
10	10-MICPA	Malaysia	Member or Regional Body
11	11-JICPA	Japan	Member or Regional Body
12	12-HOTARAC	Australia	Preparer
13	13-PwC	Not Applicable	Accountancy Firm
14	14-PSASB	Kenya	Standard Setter / Standard Advisory Body
15	15-Italian MEF	Italy	Member or Regional Body
16	16-ASB	South Africa	Standard Setter / Standard Advisory Body
17	17-PAAB	Zimbabwe	Audit Office
18	18-ICPAU	Uganda	Member or Regional Body
19	19-FOCAL - Colombia	Colombia	Preparer
20	20-FOCAL - Ecuador	Ecuador	Preparer
21	21-FOCAL - El Salvador	El Salvador	Preparer
22	22-FOCAL - Guatemala	Guatemala	Preparer
23	23-FOCAL - Panama	Panama	Preparer
24	24-FOCAL - Peru	Peru	Preparer
25	25-FOCAL - Dominican Republic	Dominican Republic	Preparer

## Agenda Item 11.3.3

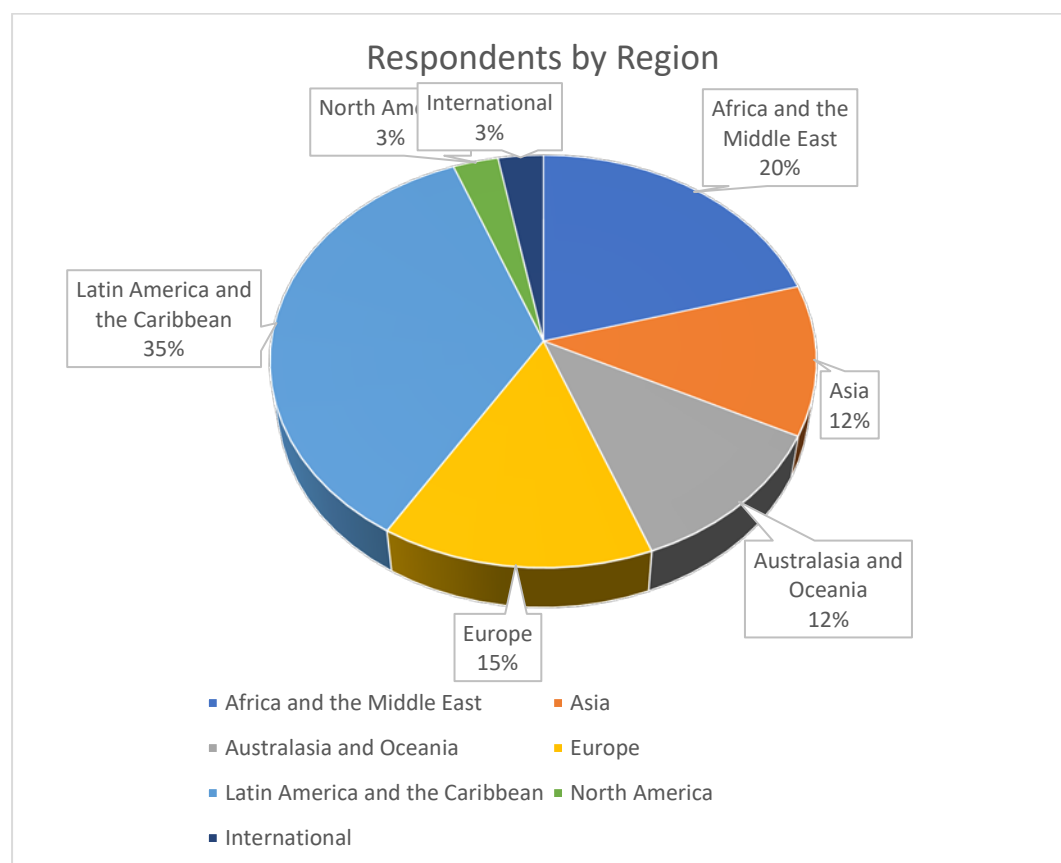
Comment Letter #	Respondent	Country	Function
26	26-FOCAL - Uruguay	Uruguay	Preparer
27	27-FOCAL - Mexico	Mexico	Preparer
28	28-FOCAL - Chile	Chile	Preparer
29	29-FOCAL - Costa Rica	Costa Rica	Preparer
30	30-Anthony Neequaye	Unassigned	Member or Regional Body
31	31-Auditor General of Canada	Canada	Audit Office
32	32-CIPFA	Uni	Member or Regional Body
33	33-CAA & TAS	Zimbabwe	Accountancy Firm
34	34-ICAN	Nigeria	Member or Regional Body
35	35-CFC	Brazil	Member or Regional Body
36	36- FRC	Nigeria	Standard Setter / Standard Advisory Body
37	37- RMIT University	Australia	Other
38	38-Pontificia Universidad Javeriana	Colombia	Other
39	39-MIA	Malaysia	Member or Regional Body
40	40-Ernst & Young GmbH	Not Applicable	Accountancy Firm
41	41-ICAI	India	Member or Regional Body
42	42- PSAB Canada	Canada	Standard Setter / Standard Advisory Body
43	43-Welch LLP	Canada	Accountancy Firm

**Supporting Document 4 – Exposure Draft (ED) 79, *Non-Current Assets Held for Sale and Discontinued Operations*: Analysis of Respondents by Region, Function and Language**

**Appendix A: Analysis of Respondents by Region, Function and Language**

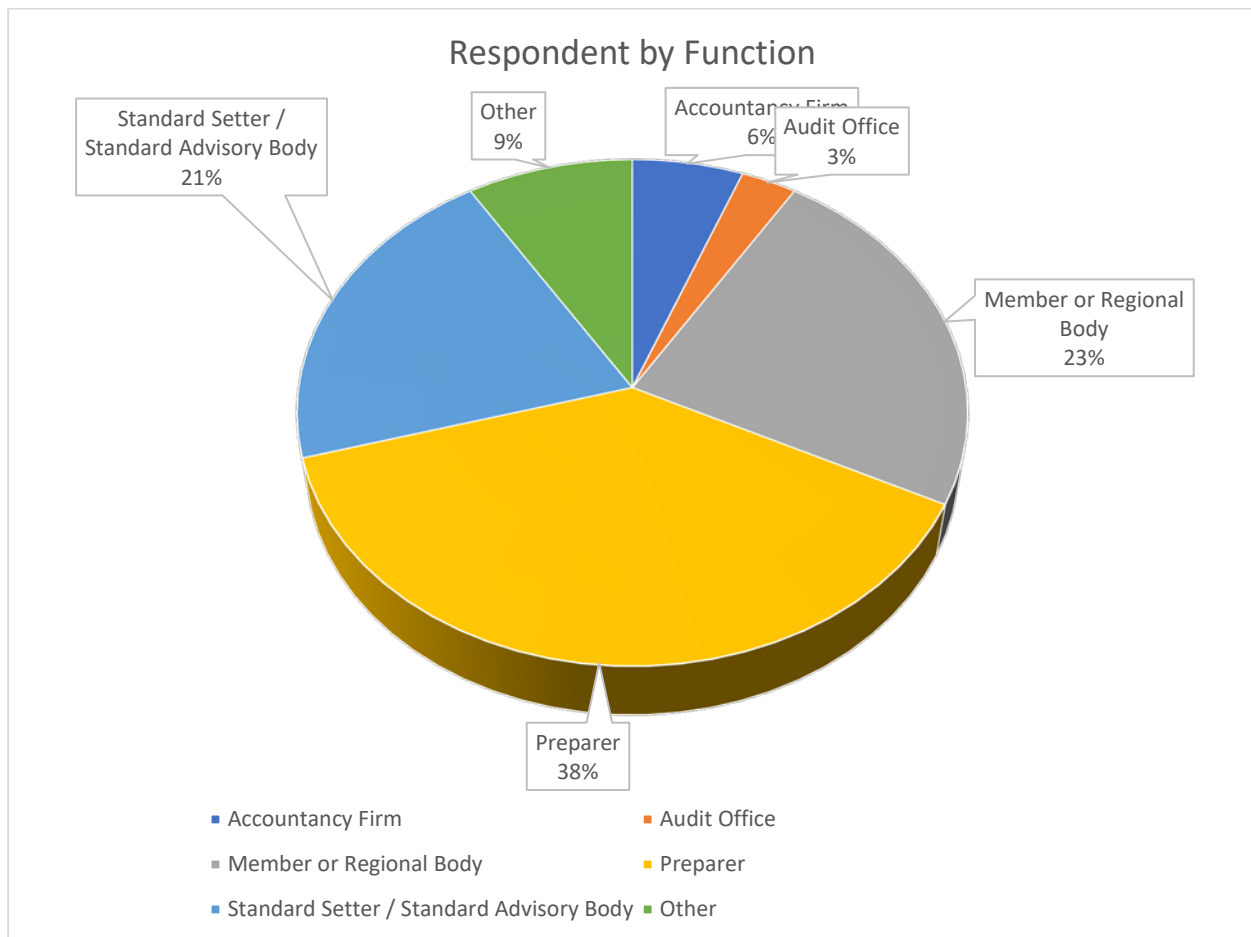
*Geographic Breakdown*

Region	Comment letter(s)	Total Respondents
Africa and the Middle East	01, 12, 13, 14, 27, 28, 30	7
Asia	10, 11, 32, 33	4
Australasia and Oceania	02, 05, 06, 07	4
Europe	03, 04, 08, 09, 25	5
Latin America and the Caribbean	15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 29, 31	12
North America	34	1
International	26	1
<b>Total</b>		<b>34</b>



## Functional Breakdown

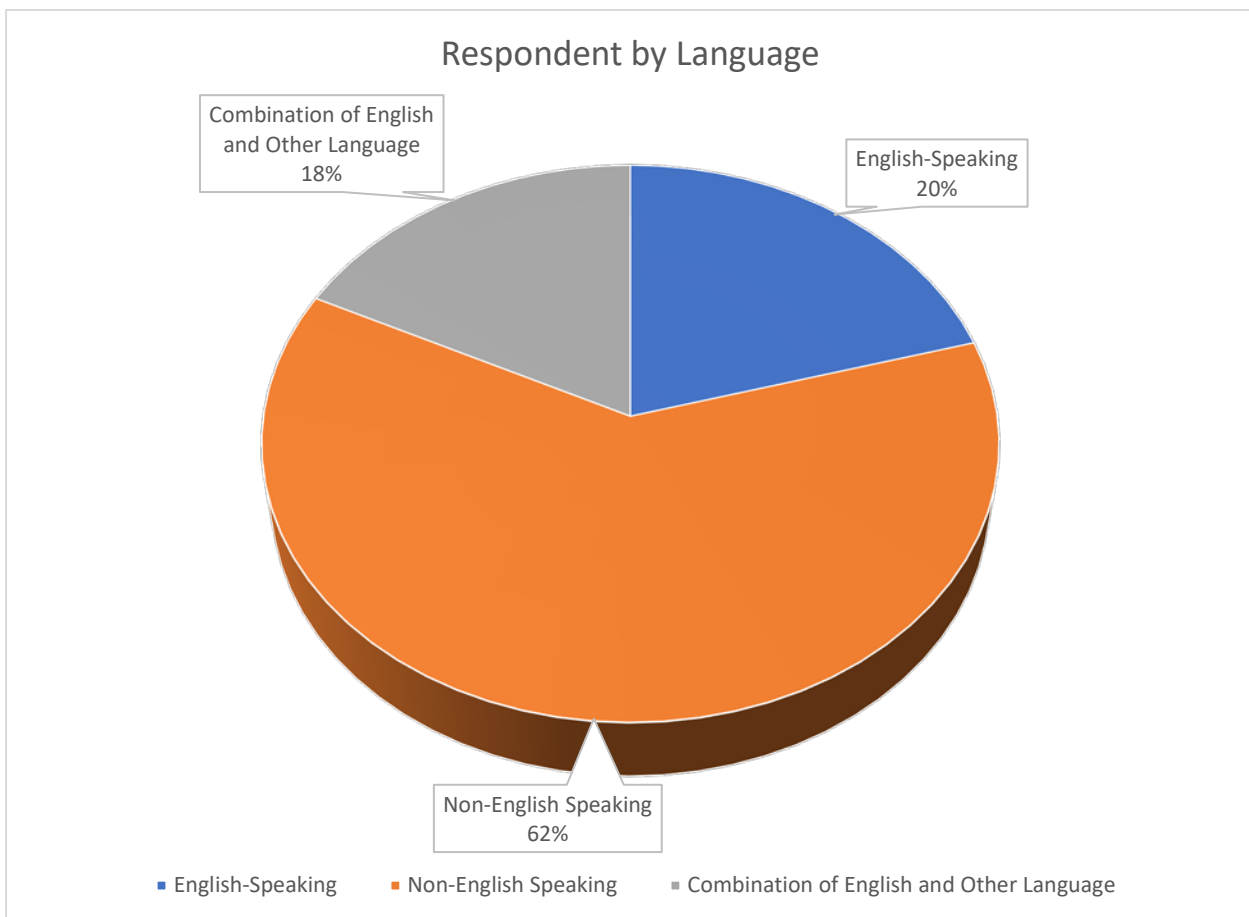
Function	Comment letter(s)	Total Respondents
Accountancy Firm	26, 27	2
Audit Office	14	1
Member or Regional Body	07, 10, 11, 25, 28, 29, 32, 33	8
Preparer	01, 02, 05, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24	13
Standard Setter / Standard Advisory Body	03, 04, 06, 12, 13, 30, 34	7
Other	08, 09, 31	3
<b>Total</b>		<b>34</b>





*Linguistic Breakdown*

Language	Comment letter(s)	Total Respondents
English-Speaking	05, 06, 07, 09, 12, 13, 25	7
Non-English Speaking	01, 02, 03, 04, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27, 29, 31, 32	21
Combination of English and Other Language	08, 26, 28, 30, 33, 34	6
<b>Total</b>		<b>34</b>



**Appendix B: List of Respondents**

Comment Letter #	Respondent	Country	Function
01	01-Accrual Accounting Center, Saudi Arabia	Saudi Arabia	Preparer
02	02-HOTARAC	Australia	Preparer
03	03-SRS	Switzerland	Standard Setter / Standard Advisory Body
04	04-CNOCP	France	Standard Setter / Standard Advisory Body
05	05-NZ Treasury	New Zealand	Preparer
06	06-XRB	New Zealand	Standard Setter / Standard Advisory Body
07	07-CPA Australia and Chartered Accountants ANZ	Australia	Member or Regional Body
08	08-Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Not Applicable	Other
09	09-Kalar Consulting	United Kingdom	Other
10	10-MICPA	Malaysia	Member or Regional Body
11	11-JICPA	Japan	Member or Regional Body
12	12-PSASB	Kenya	Standard Setter / Standard Advisory Body
13	13-ASB	South Africa	Standard Setter / Standard Advisory Body
14	14-PAAB	Zimbabwe	Audit Office
15	15- FOCAL - Colombia	Colombia	Preparer
16	16- FOCAL - Ecuador	Ecuador	Preparer
17	17- FOCAL - El Salvador	El Salvador	Preparer
18	18- FOCAL - Guatemala	Guatemala	Preparer
19	19- FOCAL - Panama	Panama	Preparer
20	20- FOCAL - Peru	Peru	Preparer
21	21- FOCAL - Dominican Republic	Dominican Republic	Preparer
22	22- FOCAL- Uruguay	Uruguay	Preparer
23	23- FOCAL - Mexico	Mexico	Preparer

## Agenda Item 11.3.4

Comment Letter #	Respondent	Country	Function
24	24- FOCAL - Chile	Chile	Preparer
25	25-CIPFA	United Kingdom	Member or Regional Body
26	26-Ernst & Young	Not Applicable	Accountancy Firm
27	27-CAA & TAS	Zimbabwe	Accountancy Firm
28	28-ICAN	Nigeria	Member or Regional Body
29	29-CFC	Brazil	Member or Regional Body
30	30- FRC	Nigeria	Standard Setter / Standard Advisory Body
31	31-Pontificia Universidad Javeriana (translated)	Colombia	Other
32	32-MIA	Malaysia	Member or Regional Body
33	33-ICAI	India	Member or Regional Body
34	34- PSAB Canada	Canada	Standard Setter / Standard Advisory Body

**Supporting Document 5 – Consultative Advisory Group (CAG) Paper on Responses to ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*, ED 77, *Measurement*, ED 78, *Property Plant and Equipment*, and ED 79, *Non-Current Assets Held for Sale and Discontinued Operations***

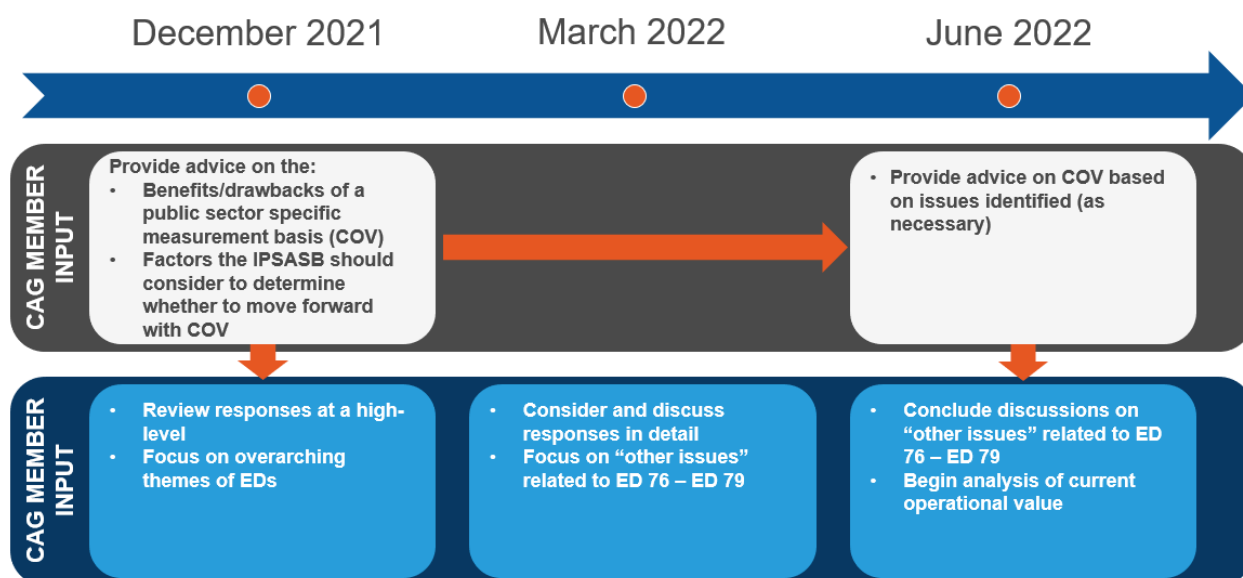
**Background**

1. On April 22, 2021, the IPSASB issued a suite of four Exposure Drafts (EDs). They were published together to highlight the common measurement principles proposed and the ways they are applied consistently throughout the draft guidance. The four EDs address several key conceptual challenges and practical implementation issues identified by the public sector community by introducing:
  - (a) Straight-forward measurement principles, by way of a measurement hierarchy, that apply throughout IPSAS and align with the Conceptual Framework;
  - (b) Enhanced guidance clarifying the recognition and measurement of infrastructure and heritage assets that are Property, Plant, and Equipment; and
  - (c) A standard that fills a gap for assets held for sale and discontinued operations.
2. The comment period closed October 25, 2021. A total of 165 responses were received across the four EDs:

Exposure Draft	Number of Responses	Summary of ED proposals
<a href="#"><u>ED 76, <i>Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</i></u></a>	43	ED 76 streamlines the measurement principles in the Conceptual Framework by eliminating unused measurement bases and enhancing focus on those that are commonly used. The ED proposes a clear measurement hierarchy to help stakeholders apply the principles in practice and aligns measurement concepts with the guidance provided in IPSAS.
<a href="#"><u>ED 77, <i>Measurement</i></u></a>	45	ED 77 proposes new guidance in a single standard which addresses how commonly used measurement bases are applied in practice. It brings in generic guidance on fair value for the first time, and it proposes a public sector specific current value measurement basis to respond to stakeholder views that a new measurement basis is required as an alternative to fair value for assets held for their operational capacity.
<a href="#"><u>ED 78, <i>Property, Plant, and Equipment</i></u></a>	43	ED 78 updates IPSAS 17, <i>Property, Plant, and Equipment</i> by adding general measurement guidance and measurement options when accounting for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and proposing new guidance

		on how these important types of public sector assets should be recognized and measured.
<a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>	34	ED 79 is aligned with IFRS 5, <i>Non-Current Assets Held for Sale and Discontinued Operations</i> and proposes new guidance on how to account for non-current assets that are classified as held for sale, when they meet specific criteria.

3. The following high-level project timeline is based on the preliminary review of responses to the suite of EDs. The CAG is asked to advise on the public interest aspects for IPSASB consideration. In particular, CAG member input is appreciated to assist the IPSASB in first establishing a clearer big-picture approach to the proposed public sector measurement basis. With this big-picture approach as a guide, CAG member input will likely be requested again in June 2022 to assist the IPSASB in tackling specific issues related to the measurement projects.



4. This paper summarizes key issues identified by ED respondents regarding the proposed guidance. Staff also outline potential approaches to respond to key issues for CAG members to consider.

#### **Proposed Guidance on Current Operational Value**

5. As noted in the analysis section below, the most significant issues raised by respondents relate to the clarity of the public sector measurement basis developed and proposed by the IPSASB in the measurement suite of EDs – Current Operational Value (COV).

#### *Background on COV*

6. Most responses to the April 2019 Measurement Consultation Paper (CP) agreed with the IPSASB's preliminary view that fair value is relevant and applicable in measuring some assets and liabilities in the public sector. Constituents' concerns with fair value related to the fact that when an item is held for its operational capacity, as is often the case in the public sector, fair value is difficult and inappropriate to apply because the following concepts generally are not applicable:

- (a) Highest and best use; and

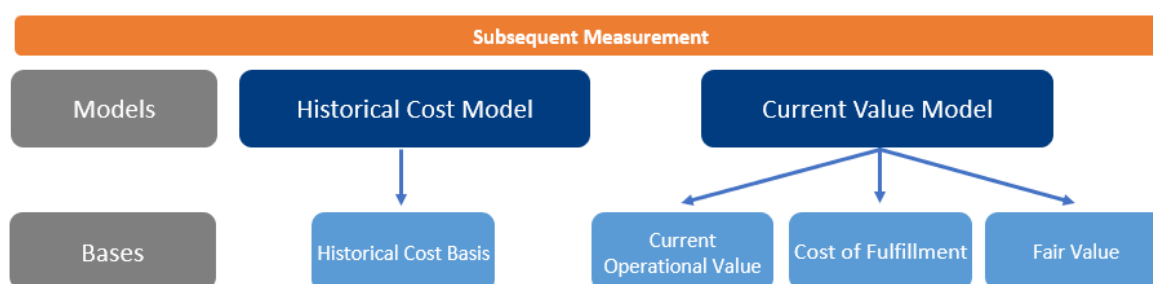
- (b) Maximizing the use of market participant data.
- 7. While respondents agreed the fair value definition proposed is applicable in some circumstances (where assets are held to generate income either through use or sale), they also noted the definition is unlikely to be appropriate as a current value measurement basis in most public sector cases (where assets are held to deliver a service). Respondents expressed the view that a public sector specific current measurement basis is required.
- 8. In response to constituents' concerns raised in the CP, the IPSASB developed a current value measurement basis unique to the public sector – COV. Given fair value is applied to items held for their financial capacity, COV was developed specifically for assets held for their operational capacity.

## Measurement Objective

- 9. The objective of a COV measurement is to estimate the value of a non-financial asset in achieving the entity's service delivery objectives at the measurement date. COV provides measurement information in the context of the current value of the asset in its current use. This provides users with:
  - (a) In the statement of financial position, the amount an entity would incur at the measurement date to replace the capacity to achieve its present service delivery objective.
  - (b) In the statement of financial performance, the consumption of the asset, through depreciation, which reflects the amount the entity would incur during the period to provide the service at the prevailing prices at the point in time when an asset is measured. This differs from historical cost, which reflects consumption of the asset in terms of the prices that prevailed when the asset was acquired.
- 10. When assets are held for their operational capacity in the public sector, they are held to achieve a service delivery objective. Holding an asset to meet a service delivery objective often results in an asset being held in a capacity other than that of one that satisfies its highest and best financial use. For example, an entity may have a service delivery objective to provide medical services to citizens of a city center. While operating a building the entity owns as a hospital may not be in the best financial interests of the entity, it does satisfy the service delivery objective.

## Measurement Hierarchy

- 11. For context, COV was proposed as a current value measurement basis:



## Reference to COV in EDs

12. The COV measurement basis is proposed throughout the EDs:

Exposure Draft	Summary of ED proposals
<a href="#">ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements</a>	ED 76 proposes COV be included in the measurement bases defined in the Conceptual Framework. The measurement objective and core principles are provided.
<a href="#">ED 77, Measurement</a>	ED 77 expands on the objective and principles proposed in the Conceptual Framework. Guidance on how to measure COV in practice is included as an appendix to the proposals (an appendix on “how to” measure a basis is included for each of the four measurement bases proposed).
<a href="#">ED 78, Property, Plant, and Equipment</a>	ED 78 proposes an accounting policy option allowing property, plant, and equipment be measured at COV.
<a href="#">ED 79, Non-Current Assets Held for Sale and Discontinued Operations</a>	No reference to COV is made in ED 79.

## Responses Received and Key Themes on Proposed Guidance in the Measurement EDs

13. The IPSASB received a total of 165 responses across the four EDs. The proposed EDs were generally well received. Respondents commended the IPSASB for managing these related projects and allowing constituents to evaluate the proposals holistically.
14. Staff's preliminary review of responses identified two overarching themes prevalent across the suite of EDs:
- (a) **General support for the proposals across the EDs** – Except for COV, respondents strongly supported the proposals across the EDs. While minor issues exist requiring the IPSASB's attention, the preliminary analysis did not identify any significant issues.
  - (b) **Current operational value** – Respondents broadly supported including COV in the framework. However, there was some dissension, as follows:
    - (i) **No need for a public sector specific measurement basis.** Fair value is appropriate for assets held for operational capacity. The IPSASB should focus on developing guidance on applying fair value in the public sector (i.e., how is the concept of 'highest and best use' applied in the public sector).
    - (ii) **Replacement cost.** Respondents supported a public sector specific measurement basis for assets held for operational capacity, but suggested it be based on replacement cost.
    - (iii) **Technically complex.** Including two complex current value measurement bases, COV and fair value, is onerous for preparers of financial statements, particularly as COV is a new measurement basis.
  - (c) Substantive issues identified across the suite of EDs relate to COV. This was expected. COV is a measurement basis developed by the IPSASB to address measurement issues associated

with public sector assets. Given the forward thinking incorporated into this basis, it is unfamiliar to respondents and requires clarification and further consideration.

15. Based on responses, staff identified three key issues for CAG members' consideration and discussion as they relate to COV. CAG member advice will assist the IPSASB in determining approaches to consider the following issues:
- (a) **Issue 1:** Should the IPSASB continue developing a public sector specific measurement basis;
  - (b) **Issue 2:** If yes, should the IPSASB continue exploring COV as a public sector specific measurement basis?
  - (c) **Issue 3:** If yes, what factors should the IPSASB consider when evaluating responses related to COV? If not, what would be the alternative?

**Issue 1 and Issue 2**

16. Responses related to COV were mixed. Respondents generally fell into one of three recommendations for the IPSASB's consideration:
- (a) **Move forward with COV proposals (Recommendation 1).** Several respondents supported the COV proposals. These respondents agreed a public sector measurement basis was necessary for assets held for their operational capacity. They agreed COV appropriately reflected the needs of a user when making financial decisions regarding assets held for their operational capacity. To improve the proposals, these respondents suggested minor clarifications. For example, some suggested the proposed definition is open-ended. The definition states that COV is the "value" of an asset used to achieve the entity's service delivery objectives. The definitions of other measurement bases, such as fair value, which requires assets be measured at the price that would be received to sell the item, are clearer in their objective.
  - (b) **Build on COV proposals (Recommendation 2).** Several respondents agreed conceptually with COV. They agreed a public sector measurement basis was necessary to support the measurement of assets held for their operational capacity. However, consistent with the alternative view included with ED 76 and ED 77, several respondents found principles established for COV unclear and recommended clarity be enhanced throughout. These respondents recommended the IPSASB work with the concepts developed but focus on how they can be applied practically by users (see example after paragraph 16(c)).
  - (c) **Depart from COV proposals (Recommendation 3).** Several respondents disagreed COV was appropriate for application in IPSAS. These respondents were of the view either:
    - (i) **Fair value can be applied throughout IPSAS.** COV should be removed, and fair value should be applied to all assets held in the public sector;
    - (ii) **Fair value should be amended for the public sector.** Guidance in the fair value appendix should be updated to reflect the unique characteristics of public sector assets. For example, guidance should be developed to assist entities to understand better how the 'highest and best use' and 'market participants' concepts should be applied in the public sector context. They consider that applying the fair value basis to all non-financial assets, despite the need to exercise judgement in applying those concepts, would be preferable to understanding two measurement bases.



- (iii) **Replacement cost should be used in place of COV.** Users are interested in the operating capacity of the government to provide public benefits, and the cost of replacing that capital if the entity was deprived of it. A replacement cost approach is an appropriate current measurement basis to reflect this objective.

Note – some respondents recommended incorporating replacement cost concepts with the COV proposals (Recommendation 2). Under this view COV should be the replacement cost of the service potential embodied in the asset used to achieve an entity's service delivery objectives. Departing from COV, Recommendation 3, and using replacement cost in its place, would measure the cost to replace the asset. While these replacement cost recommendations are nuanced, this distinction is important for how the measurement basis is presented in the literature and how staff has distinguished between Recommendation 2 and Recommendation 3.

17. Responses were split between these three recommendations. Each recommendation was supported by approximately one third of respondents. As a result, the IPSASB will have to consider all recommendations in detail as noted below.

*Recommendation 1 – Move forward with COV proposals*

18. The IPSASB could clarify the COV principles proposed by focusing on the ambiguity identified by respondents and adding more precise guidance. Clarification under this recommendation would be limited to wording and supporting principles with examples.

Benefits	Shortcomings
<ul style="list-style-type: none"> <li>Provides the IPSASB with a strong base to move forward.</li> <li>Maintains consistency with proposals (some stakeholders raised concerns with too much change between each iteration of the document).</li> </ul>	<ul style="list-style-type: none"> <li>May not address concerns with COV identified by a large group of respondents.</li> </ul>

*Recommendation 2 – Build on COV proposals*

19. The IPSASB could work with the COV principles proposed to develop a more robust measurement basis. This recommendation would maintain the proposed measurement objective and concepts, but allow the IPSASB more flexibility by updating principles to be more applicable in practice.

Benefits	Shortcomings
<ul style="list-style-type: none"> <li>Provides the IPSASB with a strong base to move forward.</li> <li>Measurement basis is based on principles and concepts the IPSASB already supports.</li> </ul>	<ul style="list-style-type: none"> <li>Additional resource requirements to make the measurement basis more robust.</li> <li>Delicate balance between enhancing the principles of the existing proposal and developing a new measurement basis.</li> </ul>

*Recommendation 3 – Remove COV*

20. The IPSASB could depart from COV as the measurement basis to achieve the measurement objective. COV would be replaced with fair value (as currently proposed), fair value updated for the public sector, or replacement cost.

Benefits	Shortcomings
<ul style="list-style-type: none"> <li>Constituents will be more familiar with the concepts of an existing measurement basis (such as fair value or replacement cost).</li> </ul>	<ul style="list-style-type: none"> <li>Departing from COV may be interpreted as not addressing stakeholder requests to develop a public sector specific measurement basis (in response to the CP issued in 2019 constituents indicated fair value was not appropriate for assets held for their operating capacity).</li> <li>The IPSASB developed COV, in part, in response to stakeholder comments that replacement cost should not be a measurement basis (as it is also a technique to measure fair value).</li> <li>Most complex recommendation as it requires the IPSASB to revisit all decisions related to COV to date.</li> </ul>

## Questions for CAG Members:

**Do CAG members think the IPSASB should continue developing a public sector specific measurement basis, and why?**

**If yes, do CAG members think the IPSASB should continue exploring COV as a public sector specific measurement basis, and why?**

## Issue 3: What factors should the IPSASB consider when evaluating responses related to COV?

22. In evaluating responses, the IPSASB weighs responses based on factors in the table below.

Factor	Detail
Presented information the IPSASB had not previously considered	<p>The IPSASB considers various options when developing concepts and principles for public comment. After careful consideration, the IPSASB will reject one option in favour of another.</p> <p>Staff will place more weight on responses that have identified a new option not considered by the IPSASB, or new information not previously considered by the IPSASB when developing the principle or concept.</p>
Raised an issue specific to the public sector	The IPSASB focuses its resources on developing guidance that is relevant to the public sector. Responses that identify a challenge in applying the guidance that are unique to the public sector will be given more

	weight. Challenges that apply across the public and private sector, but have been resolved in the private sector will be given less weight.
Identified principle related challenges	<p>Many responses provide the IPSASB insight why guidance is challenging to apply in practice (often it can be challenging to obtain the information). These practical issues focus on cost vs benefit.</p> <p>Higher quality responses provide the IPSASB insight as it relates to challenges when applying the principles (for example, inconsistencies in concepts). Staff will place more weight on responses that identify challenges when applying principles.</p>

23. Given the potential pervasiveness the COV proposals represent throughout the IPSAS suite of standards and the resource commitments necessary to fulfill any of the recommendations presented in paragraph 16, the IPSASB may have to consider additional factors when evaluating the best recommendation to pursue.

**Question for CAG Members:**

**Can CAG members identify any additional factors or approaches the IPSASB should consider when assessing the substance of each stakeholder comment to determine the most appropriate recommendation to pursue?**

**Supporting Document 6 – IPSASB Due Process Checklist (condensed to included portions relevant to the current project phase)**

**Project:** Measurement

#	Due Process Requirement	Yes/No	Comments
<b>A. Project Brief</b>			
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 <a href="#">June 2015 minutes</a> ).
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 <a href="#">approved project brief</a> and the <a href="#">March 2017 minutes</a> .
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>B. Development of Proposed International Standard</b>			
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 <a href="#">Consultation Paper</a> 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.	Yes	All comments received have been publicly posted on the website. The IPSASB has deliberated the feedback received at public IPSASB meetings in forming its views on how to develop the measurement suite of exposure drafts.
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	Yes	<a href="#">Agenda Item 8 from December 2019</a> meeting sought the CAG's views on the significant issues to be address in the development of the exposure drafts.

#	Due Process Requirement	Yes/No	Comments
<b><i>D. Consideration of Respondents' Comments on an Exposure Draft</i></b>			
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	Yes	This Agenda Item seeks the CAG's views on significant issues raised in the comment letters received.
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB CAG the results of the IPSASB's deliberations on those comments received from the CAG.	N/A	The comprehensive review of responses will be presented to the IPSASB for detailed consideration in 2022.