

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

**Meeting Location:** Virtual Meeting

**Meeting Date:** February 25, 2021

## Agenda Item 3

For:

- ☐ Approval  
☒ Discussion  
☐ Information

### AMENDMENTS TO OTHER IPSAS (ED 77, MEASUREMENT)

<b>Project summary</b>	The project objective is to revise IPSAS requirements for measurement, provide guidance on measurement and address the treatment of transaction costs and borrowing costs.	
<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>David Tretton, RICS</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Amendments to Other IPSAS (ED 77, Measurement): Project Roadmap</a>	<a href="#">3.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">3.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">3.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Overview of Amendments to Other IPSAS Process</a>	<a href="#">3.2.1</a>
	<a href="#">Amendments to Other IPSAS – Use of the Term Fair Value</a>	<a href="#">3.2.2</a>
	<a href="#">Amendments to Other IPSAS – Other Measurement Bases</a>	<a href="#">3.2.3</a>
	<a href="#">Amendments to Other IPSAS – Disclosure</a>	<a href="#">3.2.4</a>
<b>Other supporting items</b>	<a href="#">Supporting Documents 1 - Consolidated Analysis of Measurement Basis</a>	<a href="#">3.3.1</a>

**AMENDMENTS TO OTHER IPSAS (ED 77, MEASUREMENT):  
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
See Agenda Item 2 – Current Operational Value (ED 78 and ED 77) for Project Roadmap	

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
See Agenda Item 2 – Current Operational Value (ED 78 and ED 77) for Instructions up to Previous Meeting		

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
See Agenda Item 2 – Current Operational Value (ED 78 and ED 77) for Decisions up to Previous Meeting		

## Overview of Amendments to Other IPSAS Process

### Purpose

1. To communicate the process followed in developing Appendix E: *Amendments to Other IPSAS*, to ED 77.

### Background

2. In December 2020, the IPSASB approved ED 77 subject to staff addressing their instructions. One instruction was to complete Amendments to Other IPSAS resulting from ED 77.

### Analysis

3. Staff followed a detailed process in identifying amendments to other IPSAS. This was performed in four steps:
  - (a) **Step one.** Identify paragraphs in IPSAS 1 – IPSAS 42, and ED 70 – ED 79, where guidance may require amendment as a result of ED 77.
    - (i) Identify paragraphs dependent on existing measurement guidance. This step was performed by searching each standard for the following terms:
      - a. Capacity (Financial Capacity, Operational Capacity);
      - b. Cost (Historical Cost, Replacement Cost, Cost of Fulfillment, Cost or Release)
      - c. Entity-Specific;
      - d. Entry;
      - e. Exit
      - f. Measurement;
      - g. Price (Transaction Price, Net Selling Price, Assumption Price);
      - h. Observable (Unobservable);
      - i. Valuation; and
      - j. Value (Current Value, Market Value, Fair Value).
    - (ii) Identify measurement methods applied in IPSAS 1 – IPSAS 42, and ED 70 – ED 79, (see [Agenda Item 3.2.2](#) and [Agenda Item 3.2.3](#));
    - (iii) Review amendments to other IFRS made when IFRS 13 was adopted by the IASB. Identify paragraphs aligned with IPSAS;
  - (b) **Step two.** Review paragraphs identified in step one to determine whether ED 77 causes an amendment to the paragraph identified;
  - (c) **Step three.** Develop measurement disclosure requirements and insert them throughout IPSAS as necessary (see [Agenda Item 3.2.4](#)); and
  - (d) **Step four.** Copy and paste paragraphs in step two and three into Appendix E of ED 77. Make appropriate changes based on step two.

## **Agenda Item 3.2.1**

4. Staff coordinated with the IPSASB technical staff member responsible for consistency throughout the Handbook when addressing consequential revisions. The aim was to ensure that these consequential revisions would:
  - (a) Appropriately impact existing IPSASs;
  - (b) Consistently approach revisions in other EDs; and
  - (c) Align with work-in-progress in other projects that are at ED stage.

## **Amendments to Other IPSAS – Use of the Term Fair Value**

### **Question**

1. Does the IPSASB agree references to fair value throughout the IPSAS suite of standards are appropriate?

### **Recommendation**

2. Staff recommend references to fair value throughout the IPSAS suite of standards are appropriate.

### **Background**

3. ED 77 introduces a fair value definition aligned with IFRS 13, *Fair Value Measurement*. Respondents strongly supported this definition and agreed fair value is relevant and applicable in measuring **some** assets and liabilities in the public sector.
4. As part of introducing this new definition, the IPSASB knew it would have to evaluate whether the existing uses of “fair value” continued to be appropriate when ED 77 is adopted.
5. In June 2020, the IPSASB reviewed its suite of IPSAS and agreed where an asset or liability is held for its financial capacity, the term “fair value” should be retained (the ED 77 definition of fair value will be applied when IPSAS, *Measurement* become effective). This decision addressed the majority of the existing uses of fair value in IPSAS. The remaining uses were to be analyzed as part of the Amendments to Other IPSAS process.
6. In December 2020, the IPSASB approved ED 77 subject to staff addressing their instructions. One instruction was to complete Amendments to Other IPSAS resulting from ED 77.

### **Analysis**

7. As noted in paragraph 5, in June 2020 the IPSASB agreed most uses of fair value continue to be appropriate when ED 77 is adopted. The few IPSAS that require additional analysis do so because:
  - (a) The asset or liability is held for its operational capacity; or
  - (b) It is inconclusive whether the asset or liability is held for its financial capacity.
8. Staff analyzed each IPSAS noted in paragraph 7, [Appendix A](#) includes a detailed analysis, and concluded, except for IPSAS 13 and IPSAS 32, the term “fair value” continues to be appropriate when the ED 77 definition is applied because:
  - (a) The application of fair value in each IPSAS is consistent with the definition of fair value as defined in ED 77.

For IPSAS 13 and IPSAS 32, staff concluded the term “fair value” should be retained, but a separate definition should be applied that is unique to each of IPSAS 13 and IPSAS 32. This is consistent with the December decision reached by the IPSASB to retain the IPSAS 13 fair value definition for IPSAS 13.

### **Decision Required**

9. Does the IPSASB agree with the Staff recommendation?

## Appendix A – Fair Value Analysis

### Purpose

1. This appendix analyzes whether the current fair value requirements in each IPSAS should be replaced by another measurement basis.

	Measurement Basis	Should Fair Value be Replaced by Another Measurement Basis?	Current Value Measurement Disclosures Required
IPSAS 9, Revenue from Exchange Transactions	Fair Value (para. 14-17)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See Analysis in <a href="#">Appendix B</a></i>	No Revenue is not an asset or liability recognized in the statement of financial position (consistent with IFRS)
IPSAS 11, Construction Contracts	Fair Value (para. 17)		
IPSAS 12, Inventories	Fair Value (para. 8 and 16)	No IPSASB agreed in June 2020.	Yes
IPSAS 13, Leases	Fair Value (para. 8)	No IPSASB agreed in December 2020 Leases is outside the scope of ED 77.	
IPSAS 16, Investment Property	Fair Value (para. 42)	No IPSASB agreed in June 2020.	Yes
IPSAS 21, Impairment of Non-Cash Generating Assets	Fair Value (para. 40-43)	No FV, when measuring the recoverable amount, represents the amount that could be received on sale. This is consistent with the concept of FV as defined by ED 77. <i>See Analysis in <a href="#">Appendix B</a></i>	No IPSAS includes FV disclosures (consistent with IFRS 13.6(c))
IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	Fair Value (para. 42, 67, 83)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See Analysis in <a href="#">Appendix B</a></i>	No Revenue is not an asset or liability recognized in the statement of financial position (consistent with IFRS)
IPSAS 26, Impairment of Cash-Generating Units	Fair Value (para. 38-42)	No IPSASB agreed in June 2020.	No IPSAS includes FV disclosures (consistent with IFRS 13.6(c))
IPSAS 27, Agriculture	Fair Value (para. 13)	No IPSASB agreed in June 2020.	Yes
IPSAS 31, Intangible Assets	Fair Value (para. 74-86)	No Intangible assets are held for their highest and best use. This is consistent with the concept of FV as defined by ED 77. <i>See Analysis in <a href="#">Appendix B</a></i>	Yes
IPSAS 32, Service Concession Arrangements: Grantor	Fair Value (para. AG25)	No IPSAS 32 FV is inconsistent with ED 77. IPSAS 32 should retain its own FV definition (consistent with IPSAS 13/ED 75, <i>Leases</i> ). <i>See Analysis in <a href="#">Appendix B</a></i>	
IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	Fair Value (Deemed Cost) (para. 64)	No Assets/liabilities measured at adoption need to equal the ED 77 fair value measurement requirements in each IPSAS. <i>See Analysis in <a href="#">Appendix B</a></i>	Yes



## Agenda Item 3.2.2

	Measurement Basis	Should Fair Value be Replaced by Another Measurement Basis?	Current Value Measurement Disclosures Required
IPSAS 34, Separate Financial Statements	Fair Value (para. 12)	No IPSASB agreed in June 2020.	Yes
IPSAS 35, Consolidated Financial Statements	Fair Value (para. 51 – change in NCI, para. 52 – Loss of control, para. 56 – Inv. Entity)	No IPSAS 35 FV measures the financial capacity of the asset. This is consistent with the concept of FV as defined by ED 77. See Analysis in <a href="#">Appendix B</a>	No (Consolidation disclosures are in IPSAS 38)
IPSAS 36, Investments in Associates and Joint Ventures	Fair Value (para. 26 – loss of influence, para. 39 – Inv. Entity, para. 47 – Impairment)	No IPSAS 36 FV measures the financial capacity of the asset. This is consistent with the concept of FV as defined by ED 77. See Analysis in <a href="#">Appendix B</a>	No (Investments in other entities disclosures are in IPSAS 38)
IPSAS 39, Employee Benefits	Fair Value (para. 115)	No IPSASB agreed in June 2020.	No IPSAS includes FV disclosures (consistent with IFRS 13.7(a))
IPSAS 40, Public Sector Combinations	Fair Value (para. 72)	No FV best reflects the economics of an acquisition of the assets and liabilities of an operation. See Analysis in <a href="#">Appendix B</a>	No IPSAS includes FV disclosures (consistent with IFRS)
IPSAS 41, Financial Instruments	Fair Value (para. 66-68)	No IPSASB agreed in June 2020.	No (Financial Instruments disclosures are in IPSAS 30)
ED 70, Revenue with Performance Obligations	Fair Value (para. 65)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. See Analysis in <a href="#">Appendix B</a>	No Revenue is not an asset or liability recognized in the statement of financial position (consistent with IFRS 13.BC184)
ED 71, Revenue without Performance Obligations	Fair Value (para. 78)		
ED 75, Leases	Fair Value (para. 5)	No IPSASB agreed in December 2020 Leases is outside the scope of ED 77	
ED 79, Non-Current Assets Held for Sale and Discontinued Operations	Fair Value (para. 5)	No ED 79 FV measures the assets held for sale. This is consistent with the concept of FV as defined by ED 77.	Yes

## Appendix B – Overview of Measurement Bases in IPSAS

### Purpose

1. This appendix analyzes whether it is appropriate to continue to apply fair value in specific IPSAS upon adoption of ED 77.

IPSAS 9, Revenue from Exchange Transactions IPSAS 11, Construction Contracts IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	
Fair Value (para. 14-17 in IPSAS 9, 17 in IPSAS 11 and 42, 67, 83 in IPSAS 23)	<p><b>Analysis (IPSAS 9, 11 and 23)</b></p> <p>IPSAS 9, 11 and 23 are expected to be replaced by ED 70 and ED 71. Staff analyzed these IPSAS because a period may exist where ED 70 and ED 71 are not yet effective, and an entity wishes to early adopt ED, <i>Measurement</i>.</p> <p>In each of IPSAS 9, 11 and 23, revenue is measured at the fair value of the consideration received or receivable.</p> <p>Since the consideration received or receivable<sup>1</sup> (debit entry) is measured at ED 77 fair value<sup>2</sup>, revenue (credit entry) needs to also be measured at ED 77 fair value.</p> <p><b>Analysis (ED 70 and ED 71)</b></p> <p>ED 70 and ED 71 are still under development. Staff considered the EDs while also understanding the revenue team will consider the measurement project as they finalize the EDs in 2021.</p> <p>In ED 70 and 71, revenue earned with no cash consideration is measured at the fair value of the consideration received or receivable.</p> <p>Since the consideration received or receivable (debit entry) is measured at ED 77 fair value, revenue (credit entry) needs to also be measured at ED 77 fair value.</p>

IPSAS 21, Impairment of Non-Cash Generating Assets	
Fair Value (para. 40-43)	<p><b>Analysis</b></p> <p>Impairment is recognized when the carrying amount of an asset is greater than its recoverable service amount. Recoverable service amount is the higher of an asset's fair value, less cost to sell, and value in use (IPSAS 21.35).</p> <p>In the context of IPSAS 21, fair value is consistent with the definition of fair value in ED 77. This is because recoverable service amount illustrates whether an assets value to the entity is maximized through use or sale. Since ED 77 indicates fair value is the price received to sell and asset, consistency is achieved.</p>

<sup>1</sup> The consideration received or receivable is most likely cash or cash receivable (IPSAS 41), Inventory (IPSAS 12), PP&E (ED 78), or investment property (IPSAS 16). All of these assets are measured at, or have an ED 77 FV option.

<sup>2</sup> The only IPSAS where ED 77 fair value will not be applied is IPSAS 13, Leases (ED 75, Leases) and IPSAS 32, Service Concession Arrangements.

IPSAS 31, Intangible Assets	
Fair Value (para. 74-86)	<p><b>Analysis</b></p> <p>The distinguishing characteristic between fair value and current operational value is highest and best use. Current operational value measures assets based on current use, while fair value measures assets based on their highest and best use.</p> <p>Intangible assets do not have multiple uses. As such the current use of the intangible asset is its highest and best use. Fair value and current operational value should be similar.</p> <p>Given this is an alignment standard, and the difference between measuring an intangible asset at fair value and current operational value is immaterial, fair value is retained to maintain alignment with IAS 38.</p>

IPSAS 32, Service Concession Arrangements: Grantor	
Fair Value (para. AG25)	<p><b>Analysis</b></p> <p>The use of fair value in IPSAS 32 is not consistent with the approach in ED <i>Measurement</i>. This is clear from paragraph AG25, which states:</p> <p><i>Where payments are made by the grantor to the operator, the fair value on initial recognition of the asset represents the portion of the payments paid to the operator for the asset.</i></p> <p>This is a transaction-specific entry value, not an exit value as fair value is now defined.</p> <p>Staff recommends including a scope exemption in ED 77 in order to retain the previous definition of fair value, which could accommodate the approach in AG25 (the same approach as taken in IPSAS 13, <i>Leases</i>, although without the justification of an ongoing project).</p>

IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	
Fair Value (Deemed Cost) (para. 64)	<p><b>Analysis</b></p> <p>IPSAS 33 requires a first-time adopter apply the requirements of the IPSASs retrospectively except when reliable cost information is not available. In these cases, a first-time adopter measures assets and/or liabilities using deemed cost.</p> <p>In IPSAS 33, deemed cost for most financial statement balances is fair value. Deemed cost for inventory or investment property is either fair value or replacement cost.</p> <p>Regardless of whether deemed cost is fair value or replacement cost, the measurement basis should align with the measurement basis in the respective IPSAS:</p> <ul style="list-style-type: none"> <li>- For fair value, other IPSAS now apply fair value as defined in ED 77, <i>Measurement</i>. As such, fair value as defined in ED 77 should also be applied in IPSAS 33; and</li> <li>- For replacement cost, IPSAS 12 and IPSAS 16 continue to apply replacement cost. No changes to the replacement cost concepts in IPSAS 33 are necessary.</li> </ul>

IPSAS 35, Consolidated Financial Statements	
<p>Fair Value (para. 51 – change in NCI, para. 52 – Loss of control, para. 56 – Inv. Entity)</p>	<p><b>Analysis</b></p> <p>IPSAS 35 requires the use of fair value in three circumstances:</p> <ul style="list-style-type: none"> <li>- <b>Change in NCI.</b> Paragraph 51 requires an entity adjust the carrying amounts of the controlling and Non-Controlling Interest (NCI) to reflect the changes in the relative interest in the controlled entity. Any difference between the amount which the NIC is adjusted and the fair value of the consideration paid or received is recognized directly in net assets/equity. The receipt or transfer of consideration is a financial transaction and the asset receive or transferred is/was held for its financial capacity when the change in NCI occurred. As such fair value as defined in ED 77 appropriately reflects the economics of the transaction.</li> <li>- <b>Loss of control.</b> The IPSASB decided in June 2020 fair value as defined in ED 77 should be applied in this IPSAS.</li> <li>- <b>Investment entities.</b> These are entities that: <ul style="list-style-type: none"> <li>(a) Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;</li> <li>(b) Have the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both; and</li> <li>(c) Measure and evaluate the performance of substantially all of its investments on a fair value basis.</li> </ul> </li> </ul> <p>In each case the investments of an investment entity are held for their financial capacity. Fair value as defined in ED 77 appropriately reflects the economics of the transaction.</p>

IPSAS 36, Investments in Associates and Joint Ventures	
<p>Fair Value (para. 26 – loss of influence, para. 39 – Inv. Entity, para. 47 – Impairment)</p>	<p><b>Analysis</b></p> <p>IPSAS 36 requires the use of fair value in three circumstances:</p> <ul style="list-style-type: none"> <li>- <b>Loss of influence.</b> Paragraph 26 requires the retained interest is measured at fair value. This is consistent with IPSAS 41, which IPSAS 36 references, because when a loss of influence occurs, the investment is a financial instrument within the scope of IPSAS 41. Fair value as defined in ED 77 is applied in IPSAS 41.</li> <li>- <b>Investment entity.</b> The IPSASB decided in June 2020 fair value as defined in ED 77 should be applied in this IPSAS.</li> <li>- <b>Impairment.</b> When evaluating whether an impairment exists, the entity determines the recoverable amount (higher of fair value less costs to sell and value in use). This is consistent with the requirement of IPSAS 21 and IPSAS 26, where fair value as defined in ED 77 is applied.</li> </ul>

<b>IPSAS 40, <i>Public Sector Combinations</i></b>	
Fair Value (para. 72)	<p><b>Analysis</b></p> <p>In June 2020, the IPSASB noted acquiring an operation could occur for financial purposes or for strategic purposes. Since the assets/liabilities were not solely held for their financial capacity, further analysis was required to determine the most appropriate measurement basis.</p> <p>Fair value is the price that would be received to sell an asset or paid to transfer a liability. This is consistent with an acquisition transaction. Assets/liabilities are acquired or assumed. The measurement should reflect this.</p> <p>Staff considered the other current value alternative: current operational value. However, because current operational value measures the value of the asset in its current use, and is only applicable to measuring assets, it is inappropriate to apply in IPSAS 40.</p>

## **Amendments to Other IPSAS – Other Measurement Bases**

### **Question**

1. Does the IPSASB agree no changes are required to IPSAS for measurement basis excluded from ED 77?

### **Recommendation**

2. Staff recommend no changes are required to IPSAS for measurement basis excluded from ED 77.

### **Background**

3. In December 2020, the IPSASB approved ED 77 subject to staff addressing their instructions. One instruction was to complete Amendments to Other IPSAS resulting from ED 77.

### **Analysis**

4. In developing ED 77's Amendments to Other IPSAS, staff considered whether any measurement bases required in the IPSAS suite of standards should be replaced. Staff considered whether changes were necessary from two perspectives:
  - (a) Fair value (see [Agenda Item 3.2.2](#)); and
  - (b) Measurement bases excluded from ED 77.

#### *Measurement Basis not Identified in ED 77*

5. ED 77 provides guidance on how to apply measurement bases commonly used in IPSAS (current operational value, cost of fulfillment, fair value and historical cost). Where an IPSAS requires the application of a measurement basis excluded from ED 77, staff considered whether the measurement basis should be replaced by one identified in ED 77.
6. Two IPSAS were identified that included measurement bases excluded from ED 77:
  - (a) **IPSAS 12, *Inventories***. This IPSAS uses net realizable value and current replacement cost.
  - (b) **IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards***. This IPSAS uses replacement cost as a method to determine deemed cost.

Note – The IPSASB agreed in December 2020 Value in Use was outside of the scope of ED 77 and was not considered in this analysis.

7. No instances were identified where a measurement basis should be replaced by another measurement basis. See [Appendix A](#) for detailed analysis by IPSAS.

### **Decision Required**

8. Does the IPSASB agree with the Staff recommendation?

## Appendix A – Overview of Measurement Bases in IPSAS

### Purpose

1. This appendix analyzes whether a measurement basis not defined in ED 77 should be replaced in the IPSAS in which it is required.

IPSAS 12, Inventories	
Net Realizable Value (para. 15)	<p><b>Analysis</b></p> <p>Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution (IPSAS 2.9).</p> <p>Since fair value, as defined in ED 77, is the price received to sell an asset, net realizable value could be replaced in IPSAS 12 with <u>fair value, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.</u></p> <p>However, given this is an IFRS aligned standard and this change was not reflected in IAS 2, <i>Inventories</i>, nor is net realizable value applied elsewhere in IFRS, staff recommend the well understood concept of net realizable value be retained in IPSAS 12.</p>
Current Replacement Cost (para. 17)	<p><b>Analysis</b></p> <p>Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date (IPSAS 2.9).</p> <p>ED 77 has classified the cost approach as a measurement technique. While not a measurement basis in its own right, ED 77 does provide guidance on how it is applied in practice.</p> <p>Staff recommend current replacement cost be retained in IPSAS 12 as it is a well understood concept, that, while not perfectly aligned with the IPSASBs measurement hierarchy, does have sufficient guidance in order for it to be applied in practice.</p>

IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	
Replacement Cost (Deemed Cost) (para. 70)	<p><b>Analysis</b></p> <p>IPSAS 33 requires a first-time adopter apply the requirements of the IPSASs retrospectively except when reliable cost information is not available. In these cases, a first-time adopter measures assets and/or liabilities using deemed cost.</p> <p>In IPSAS 33, deemed cost for most financial statement balances is fair value. Deemed cost for inventory or investment property is either fair value or replacement cost.</p> <p>Regardless of whether deemed cost is fair value or replacement cost, the measurement basis should align with the measurement basis in the respective IPSAS:</p> <ul style="list-style-type: none"> <li>- For fair value, other IPSAS now apply fair value as defined in ED 77, <i>Measurement</i>. As such, fair value as defined in ED 77 should also be applied in IPSAS 33; and</li> <li>- For replacement cost, IPSAS 12 and IPSAS 16 continue to apply replacement cost. No changes to the replacement cost concepts in IPSAS 33 are necessary.</li> </ul>

## **Amendments to Other IPSAS – Disclosure**

### **Question**

1. Does the IPSASB agree assets and liabilities measured using a measurement basis available under the current value model should have consistent disclosure requirements?

### **Recommendation**

2. Assets and liabilities measured using a measurement basis available under the current value model should have consistent disclosure requirements.

### **Background**

3. During the development of the measurement consultation paper, the IPSASB agreed measurement disclosure requirements should be included in the IPSAS to which the measurement is related.

### **Analysis**

4. As part of the Amendments to Other IPSAS process, measurement disclosure requirements needed to be developed that could be included in each IPSAS with a measurement basis identified in ED 77, *Measurement*.
5. Staff evaluated the disclosure requirements at the measurement model level, i.e., the historical cost model and the current value model.

#### *Historical Cost Model*

6. Historical cost measures provide monetary information about assets, liabilities and related revenue and expenses, using information derived, at least in part, from the price of the transaction or event that gave rise to them. Following initial measurement, the value of an asset or liability is not re-measured to reflect current conditions or increases in the value of the asset (ED 77.21 and ED 77.22).
7. Because no re-measurement occurs, there is no additional information to disclose to the users of the financial information. Changes related to amortization or impairment are already addressed in the relevant IPSAS.
8. No additional disclosures are proposed when assets and liabilities are measured at historical cost.

#### *Current Value Model*

9. Current value measures reflect changes in the values of assets and liabilities since the previous measurement date. Since measurements are updated regularly, new and useful information is available at each reporting date that is available for disclosure.
10. Staff considered several disclosure alternatives when developing the requirements for current value measurement bases (see paragraph 14). However, after considering the benefits and drawbacks of each alternative, staff concluded consistent disclosure requirements, based on the IFRS 13 disclosure requirements, were appropriate.
11. This conclusion is based on the principle that regardless of the current value measurement basis applied, a financial statement user requires the same information to understand the measurement – the valuation techniques, inputs and assumptions applied to develop those measurements.



Furthermore, as the inputs to the assumptions become less observable, users require more information to understand the measurement.

12. The current value measurement disclosures were based on those developed in IFRS 13 because:
  - (a) IFRS 13 already provided a robust set of disclosures for a current value measurement;
  - (b) Basing disclosures on IFRS 13 maintains alignment with IFRS (Appendix C of ED 77 is currently aligned with IFRS 13); and
  - (c) The IFRS 13 disclosures follow the principle, as the observability of inputs decreases, disclosure requirements increase.
13. Because the IPSASB agreed to depart from the IASB's approach of consolidating measurement disclosures in the measurement standard, the current value disclosures, while consistent across IPSAS can be included based on the requirements of the standard. As such the disclosures required are split into three categories:
  - (a) **Disclosures for recurring current value measurements.** These disclosures apply to all current value measurement. They are more extensive than those that apply only to non-recurring measurement. For the purposes of IPSAS, these disclosures are included in all IPSAS that require a recurring current value measurement, except as noted in paragraph 13(c) below.
  - (b) **Disclosures for non-recurring current value measurements.** Because non-recurring measurements occurs less frequently, a subset of the current value disclosures in 13(a) are applicable only to non-recurring measurements. For example, when an entity measures an asset held for sale at fair value less costs to sell in accordance with ED 79, *Non-current Assets Held for Sale and Discontinued Operations*. These disclosures are only included in IPSAS 33 and ED 79.
  - (c) **Disclosures for financial instrument current value measurements.** Some current value disclosures are:
    - (i) Specific to financial instruments; or
    - (ii) Relate to transfers within the fair value hierarchy which is expected to rarely occur outside of financial instruments because the observability of inputs rarely changes for non-financial assets.

For the purposes of IPSAS, these disclosures are only included in IPSAS 30, *Financial Instruments: Disclosure*.

#### *Alternatives Considered*

14. In developing the current value model disclosures, staff also consider:
  - (a) **Different disclosures for each measurement basis** (fair value, current operational value and cost of fulfillment). The differences between the disclosure requirements for each basis were arbitrary. Staff reached the conclusion it would be challenging to reach consensus through the exposure process; and
  - (b) **Different disclosures for each IPSAS** (different measurement disclosures based on the characteristics of the asset or liability). Staff is of the view, if the appropriate disclosures are

developed, they should be applicable across all IPSAS. Since staff followed the principle that as inputs become less observable, more disclosure was required, it was difficult to support the type of asset would drive disclosure.

**Decision Required**

15. Does the IPSASB agree with the Staff recommendation?

## Appendix – Current Value Model Disclosure Requirements

### Purpose

1. This appendix outlines the disclosure requirements proposed by staff in [Agenda Item 3.2.4](#).

### Disclosures

2. Disclosures are based on IFRS 13, *Fair Value Measurement*. They have been marked up for to allow members to understand where staff recommend the IPSASB depart from IFRS 13.

(a) Highlights are included to support the categorization of the disclosures into:

- (i) Disclosures for **recurring** current value measurements.
- (ii) Disclosures for **non-recurring** current value measurements.
- (iii) Disclosures for **financial instrument** current value measurements.

See paragraph 13 in in [Agenda Item 3.2.4](#) for details on categories.

3. Disclosures are now broader than fair value. Their scope has been broadened so that they apply across all current value model measurements – cost of fulfillment, current operational value, and fair value.
4. These disclosures are added to any IPSAS that makes reference to a current value model measurement as an appropriate basis for measuring a financial statement element.

		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
X1 IFRS 13.91	An entity shall disclose information that helps users of its financial statements assess both of the following:			
(a)	For <u>[name asset or liability in the IPSAS, for example, PP&amp;E] assets and liabilities</u> that are measured at <u>[insert relevant measurement basis in the IPSAS, for example, cost of fulfillment, current operational value or fair value]</u> fair value on a <b>recurring</b> or <b>non-recurring</b> basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.	X	X	
(b)	For <b>recurring</b> fair value measurements using significant unobservable inputs (Level 3), or for <b>recurring</b> <u>[insert relevant measurement basis in the IPSAS]</u> measurements estimated using	X		

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	<b><u>unobservable inputs</u>, the effect of the measurements on surplus or deficit <del>profit or loss or net assets/equity</del> other comprehensive income for the period.</b>			
X2 IFRS 13.92	To meet the objectives in paragraph X1, an entity shall consider all the following: (a) The level of detail necessary to satisfy the disclosure requirements; (b) How much emphasis to place on each of the various requirements; (c) How much aggregation or disaggregation to undertake; and (d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.  If the disclosures provided in accordance with this <del>IPSAS</del> <del>IFRS</del> and other <del>IPSASs</del> <del>IFRSs</del> are insufficient to meet the objectives in paragraph X1, an entity shall disclose additional information necessary to meet those objectives.	X	X	
X3 IFRS 13.93	To meet the objectives in paragraph X1, an entity shall disclose, at a minimum, the following information for each class of <b><u>[name asset or liability in the IPSAS]</u></b> <del>assets and liabilities</del> (see paragraph X4 for information on determining appropriate classes of <b><u>[name asset or liability in the IPSAS]</u></b> <del>assets and liabilities</del> ) measured at <b><u>[insert relevant measurement basis in the IPSAS]</u></b> <del>fair value</del> (including measurements based on <b><u>[insert relevant measurement basis in the IPSAS]</u></b> <del>fair value</del> within the scope of [draft] IPSAS [X] (ED 77), <i>Measurement</i> <del>this IFRS</del> ) in the statement of financial position after initial recognition:	X		
(a)	For <b>recurring</b> and <b>non-recurring</b> <b><u>[insert relevant measurement basis in the IPSAS]</u></b> <del>fair value</del> measurements, the <b><u>[insert relevant</u></b>	X	X	

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	<p><del><i>measurement basis in the IPSAS</i></del> fair value measurement at the end of the reporting period, and for <b>non-recurring</b> <del><i>[insert relevant measurement basis in the IPSAS]</i></del> fair value measurements, the reasons for the measurement. <b>Recurring</b> <del><i>[insert relevant measurement basis in the IPSAS]</i></del> fair value measurements of <del><i>[name asset or liability in the IPSAS]</i></del> assets and liabilities are those that <u>this Standard requires or permits other IFRSs require or permit</u> in the statement of financial position at the end of each reporting period. <b>Non-recurring</b> <del><i>[insert relevant measurement basis in the IPSAS]</i></del> fair value measurements of <del><i>[name asset or liability in the IPSAS]</i></del> assets and liabilities are those that <u>this Standard requires or permits other IFRSs require or permit</u> in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> because the asset's fair value less costs to sell is lower than its carrying amount).</p>			
(b)	<p>For <b>recurring</b> and <b>non-recurring</b> <del><i>[insert relevant measurement basis in the IPSAS]</i></del> measurements, whether the <del><i>[insert relevant measurement basis in the IPSAS]</i></del> measurements is estimated using observable or unobservable inputs. For <b>recurring</b> and <b>non-recurring</b> fair value measurements, the level of the fair value hierarchy within which the fair value measurements are <u>categorized</u> <del>categorised</del> in their entirety (Level 1, 2 or 3).</p>	X	X	

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
(c)	For <b>[name asset or liability in the IPSAS]</b> assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph X5). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.			X <sup>3</sup>
(d)	For recurring and non-recurring <b>[insert relevant measurement basis in the IPSAS]</b> fair value measurements <u>estimated using unobservable inputs categorised within Level 2 and Level 3 of the fair value hierarchy</u> , a description of the <u>measurement valuation</u> technique(s) and the inputs used in the <b>[insert relevant measurement basis in the IPSAS]</b> fair value measurement. If there has been a change in <u>measurement valuation</u> technique (e.g. eg changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements <u>categorized categorised within Level 3 of the fair value hierarchy</u> , or for <b>[insert relevant measurement basis in the IPSAS]</b> measurements <u>estimated using unobservable inputs</u> , an entity shall provide quantitative information about the significant unobservable inputs used in the <b>[insert relevant measurement basis in the IPSAS]</b> fair value measurement. An	X	X	

<sup>3</sup> A transfer between levels of the fair value hierarchy only occurs when the observability of the inputs changes. Outside of financial instruments, this is expected to be rare. For example, the observability of the measurement inputs for building is not expected to change to the same extent as the inputs to a long term bond. Disclosures related to the transfer between levels of the fair value hierarchy are only included in IPSAS 30.

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring <b><i>[insert relevant measurement basis in the IPSAS]</i></b> fair value (e.g. eg when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the <b><i>[insert relevant measurement basis in the IPSAS]</i></b> fair value measurement and are reasonably available to the entity.			
(e)	For recurring fair value measurements categorized categorised within Level 3 of the fair value hierarchy, or for recurring <b><i>[insert relevant measurement basis in the IPSAS]</i></b> measurements estimated using unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:	X		
(i)	Total gains or losses for the period recognized recognised in surplus or deficit profit or loss, and the line item(s) in surplus or deficit profit or loss in which those gains or losses are recognized recognised.	X		
(ii)	Total gains or losses for the period recognized recognised in net assets/equity other comprehensive income, and the line item(s) in net assets/equity other comprehensive income in which those gains or losses are recognized recognised.	X		
(iii)	Purchases, sales, issues and settlements (each of those types of changes disclosed separately).	X		

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
(iv)	For <b>recurring</b> fair value measurements categorized within Level 3 of the fair value hierarchy, the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph X5). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.			X <sup>4</sup>
(f)	For <b>recurring</b> fair value measurements categorized within Level 3 of the fair value hierarchy, <u>or for <b>recurring</b> <b>[insert relevant measurement basis in the IPSAS]</b> measurements estimated using unobservable inputs,</u> the amount of the total gains or losses for the period in (e)(i) included in <u>surplus or deficit profit or loss</u> that is attributable to the change in <u>unrealized unrealised</u> gains or losses relating to those <b>[name asset or liability in the IPSAS]</b> assets and liabilities held at the end of the reporting period, and the line item(s) in <u>surplus or deficit profit or loss</u> in which those <u>unrealized unrealised</u> gains or losses are <u>recognized recognised</u> .	X		
(g)	For <b>recurring</b> and <b>non-recurring</b> fair value measurements <u>categorized categorised</u> within Level 3 of the fair value hierarchy, <u>or for <b>recurring</b> and <b>non-recurring</b> <b>[insert relevant measurement basis in the IPSAS]</b> measurements estimated using unobservable inputs,</u> a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in	X	X	

<sup>4</sup> A transfer between levels of the fair value hierarchy only occurs when the observability of the inputs changes. Outside of financial instruments, this is expected to be rare. For example, the observability of the measurement inputs for building is not expected to change to the same extent as the inputs to a long term bond. Disclosures related to the transfer between levels of the fair value hierarchy are only included in IPSAS 30.



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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	<u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> measurements from period to period).			
(h)	For <b>recurring</b> fair value measurements categorized within Level 3 of the fair value hierarchy or for <b>recurring</b> <u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> measurements estimated using unobservable inputs:	X		
i	For all such measurements, a narrative description of the sensitivity of the <u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower <u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the <u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the <u><b><i>[insert relevant measurement basis in the IPSAS]</i></b></u> fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (d).	X		
ii	For financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative			X <sup>5</sup>

<sup>5</sup> A transfer between levels of the fair value hierarchy only occurs when the observability of the inputs changes. Outside of financial instruments, this is expected to be rare. For example, the observability of the measurement inputs for building is not expected to change to the same extent as the inputs to a long term bond. Disclosures related to the transfer between levels of the fair value hierarchy are only included in IPSAS 30.

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to <u>surplus or deficit</u> <del>profit or loss</del> , and total assets or total liabilities, or, when changes in fair value are <u>recognized</u> <del>recognised</del> in <u>net assets/equity</u> <del>other comprehensive income</del> , total equity.			
(i)	For <b>recurring</b> and <b>non-recurring</b> <u><b>[insert relevant measurement basis in the IPSAS]</b></u> fair value measurements, if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.	X	X	
X4 IFRS 13.94	<p>An entity shall determine appropriate classes of <u><b>[name asset or liability in the IPSAS]</b></u> <del>assets and liabilities</del> on the basis of the following:</p> <p>(a) The nature, characteristics and risks of the <u><b>[name asset or liability in the IPSAS]</b></u> <del>assets and liabilities</del>; and</p> <p>(b) The level of the fair value hierarchy within which the fair value measurement is <u>categorized</u> <del>categorized</del>, or whether the <u><b>[insert relevant measurement basis in the IPSAS]</b></u> is observable or unobservable.</p> <p>The number of classes may need to be greater for fair value measurements <u>categorized</u> <del>categorised</del> within Level 3 of the fair value hierarchy, or for <u><b>[insert relevant measurement basis in the IPSAS]</b></u> <del>measurements</del> estimated using <u>unobservable</u> <del>unobservable</del> inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of <b><i>name asset or liability in the IPSAS</i></b> <del>assets and liabilities</del> for which disclosures about <u><b>[insert relevant measurement</b></u></p>	X		

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
	<p><b><u>basis in the IPSAS</u></b> fair value measurements should be provided requires judgement. A class of <b><u>[name asset or liability in the IPSAS]</u></b> assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another <u>IPSAS</u> <del>IFRS</del> specifies the class for an <b><u>[name asset or liability in the IPSAS]</u></b> assets and liabilities, an entity may use that class in providing the disclosures required in this <u>Standard</u> <del>IFRS</del> if that class meets the requirements in this paragraph.</p>			
X5 IFRS 13.95	<p>An entity shall disclose and consistently follow its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred in accordance with paragraph X3(c) and (e)(iv). The policy about the timing of <u>recognizing</u> <del>recognising</del> transfers shall be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following:</p> <p>(a) The date of the event or change in circumstances that caused the transfer.</p> <p>(b) The beginning of the reporting period.</p> <p>(c) The end of the reporting period.</p>			X <sup>6</sup>
X6 IFRS 13.96	<p>If an entity makes an accounting policy decision to use the exception in paragraph (IFRS 13.48), it shall disclose that fact.</p>			X <sup>7</sup>

<sup>6</sup> A transfer between levels of the fair value hierarchy only occurs when the observability of the inputs changes. Outside of financial instruments, this is expected to be rare. For example, the observability of the measurement inputs for building is not expected to change to the same extent as the inputs to a long term bond. Disclosures related to the transfer between levels of the fair value hierarchy are only included in IPSAS 30.

<sup>7</sup> Paragraph 48 of IFRS 13 was relocated to IPSAS 41. Disclosure has therefore only been included in IPSAS 30.

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		Recurring (all IPSAS with current value measurement)	Non- recurring (IPSAS 33 and ED 79)	Specific to Financial Instruments
X7 IFRS 13.97	For each class of <b>[name asset or liability in the IPSAS]</b> <del>assets and liabilities</del> not measured at <b>[insert relevant measurement basis in the IPSAS]</b> <del>fair value</del> in the statement of financial position but for which the <b>[insert relevant measurement basis in the IPSAS]</b> <del>fair value</del> is disclosed, an entity shall disclose the information required by paragraph 93(b), (d) and (i). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements <del>categorized</del> <u>categorised</u> within Level 3 of the fair value hierarchy, <del>or for [insert relevant measurement basis in the IPSAS] measurements estimated using unobservable inputs,</del> required by paragraph 93(d). For such <b>[name asset or liability in the IPSAS]</b> <del>assets and liabilities</del> , an entity does not need to provide the other disclosures required by this <del>Standard IFRS</del> .	X		
X8 IFRS 13.98	For a liability measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability.			X <sup>8</sup>
X9 IFRS 13.99	An entity shall present the quantitative disclosures required by this <del>Standard IFRS</del> in a tabular format unless another format is more appropriate.	X	X	

<sup>8</sup> Third-party credit risk enhancements only exist for financial instruments. Disclosure is only included in IPSAS 30.

## Supporting Documents 1– Consolidated Analysis of Measurement Basis

### Purpose

1. This appendix consolidates Appendix A and Appendix B for completeness. It also includes measurement bases that were not analyzed in Appendix A or Appendix B because the measurement basis was included in ED 77.

	Measurement Methods	Should Measurement Basis be Updated as a Result of ED 77?
IPSAS 1, Presentation of Financial Statements	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 2, Cash Flow Statements	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 4, The Effects of Change in Foreign Exchange Rates	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 5, Borrowing Costs	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 6, Rescinded	-	-
IPSAS 7, Rescinded	-	-
IPSAS 8, Rescinded	-	-
IPSAS 9, Revenue from Exchange Transactions	Fair Value (para. 14-17)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 10, Financial Reporting in Hyperinflationary Economies	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 11, Construction Contracts	Fair Value (para. 17)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 12, Inventories	Cost (para. 15)	No Aligned Standard with IAS 2 – no public sector reason to depart.
	Net Realizable Value (para. 15)	
	Fair Value (para. 8 and 16)	No IPSASB agreed in June 2020.
	Current Replacement Cost (para. 17)	No Aligned Standard with IAS 2 – no public sector reason to depart. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 13, Leases	Fair Value (para. 8)	No IPSASB agreed in December 2020 Leases is outside the scope of ED 77.

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	Measurement Methods	Should Measurement Basis be Updated as a Result of ED 77?
IPSAS 14, Events After the Reporting Date (No changes required)	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 15, Rescinded	-	-
IPSAS 16, Investment Property	Cost (para. 65)	No Cost is a measurement basis in ED 77.
	Fair Value (para. 42)	No IPSASB agreed in June 2020.
IPSAS 17, PP&E	Not Applicable IPSAS 17 is being replaced by ED 78 (part of the measurement suite of projects)	
IPSAS 18, Segment Reporting	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets	Best Estimate (para. 16)	No Best estimate is not a measurement basis. See <a href="#">Detailed Analysis</a> below
IPSAS 20, Related Party Disclosure	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 21, Impairment of Non-Cash Generating Assets	Fair Value (para. 40-43)	No FV, when measuring the recoverable amount, represents the amount that could be received on sale. This is consistent with the concept of FV as defined by ED 77. See <a href="#">Detailed Analysis</a> below
	Value in Use (para. 44-49)	No IPSAS decided in December 2020 value in use was outside the scope of this project.
IPSAS 22, Disclosure of Financial Information about the General Government Sector	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	Fair Value (para. 42, 67, 83)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. See <a href="#">Detailed Analysis</a> below
	Increase in Net Assets (para. 48)	No Increase in net assets is not a measurement basis. It is the difference between the increase in assets offset by any liabilities incurred.
	Best Estimate (para. 57)	No Best estimate is not a measurement basis. See <a href="#">Detailed Analysis</a> below
IPSAS 24, Presentation of Budget Information in Financial Statements	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 25, Rescinded	-	-
IPSAS 26, Impairment of Cash-Generating Units	Fair Value (para. 38-42)	No IPSASB agreed in June 2020.
	Value in Use (para. 43-70)	No IPSAS decided in December 2020 value in use was outside the scope of this project.
IPSAS 27, Agriculture	Fair Value (para. 13)	No IPSASB agreed in June 2020.

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	Measurement Methods	Should Measurement Basis be Updated as a Result of ED 77?
IPSAS 28, Financial Instruments: Presentation	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 29, Financial Instruments: Recognition and Measurement	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 30, Financial Instruments: Disclosure	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 31, Intangible Assets	Cost (para. 73)	No Cost is a measurement basis in ED 77.
	Fair Value (para. 74-86)	No Intangible assets are held for their highest and best use. This is consistent with the concept of FV as defined by ED 77. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 32, Service Concession Arrangements: Grantor	Fair Value (para. AG25)	No IPSAS 32 FV is inconsistent with ED 77. IPSAS 32 should retain its own FV definition (consistent with IPSAS 13/ED 75, <i>Leases</i> ). <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	Fair Value (Deemed Cost) (para. 64)	No Assets/liabilities measured at adoption need to equal the ED 77 fair value measurement requirements in each IPSAS. <i>See <a href="#">Detailed Analysis</a> below</i>
	Replacement Cost (Deemed Cost) (para. 70)	No Inventories/Investment Property initially measured at replacement cost needs to align with the replacement cost measurement requirements in each IPSAS. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 34, Separate Financial Statements	Fair Value (para. 12)	No IPSASB agreed in June 2020.
	Cost (para. 12)	No Cost is a measurement basis in ED 77.
	Equity Method (para. 12)	No Equity method is not a measurement basis. Aligned Standard with IAS 27 – no public sector reason to depart.
IPSAS 35, Consolidated Financial Statements	Fair Value (para. 51 – change in NCI, para. 52 – Loss of control, para. 56 – Inv. Entity)	No IPSAS 35 FV measures the financial capacity of the asset. This is consistent with the concept of FV as defined by ED 77. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 36, Investments in Associates and Joint Ventures	Equity Method (para. 29)	No Equity method is not a measurement basis. Aligned Standard with IAS 36 – no public sector reason to depart.
	Fair Value (para. 26 – loss of influence, para. 39 – Inv. Entity, para. 47 – Impairment)	No IPSAS 36 FV measures the financial capacity of the asset. This is consistent with the concept of FV as defined by ED 77. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 37, Joint Arrangements	Not Applicable IPSAS does not instruct the use of a measurement basis	No
IPSAS 38, Disclosure of Interests in Other Entities	Not Applicable IPSAS does not instruct the use of a measurement basis	No

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	Measurement Methods	Should Measurement Basis be Updated as a Result of ED 77?
IPSAS 39, Employee Benefits	Amount Entity Expects to Pay (para. 16, 20 and 160)	No Amount entity expects to pay is not a measurement basis. Aligned Standard with IAS 19 – no public sector reason to depart.
	Actuarial Valuation (para. 68)	No Actuarial valuation is not a measurement basis. Aligned Standard with IAS 19 – no public sector reason to depart.
	Fair Value (para. 115)	No IPSASB agreed in June 2020.
IPSAS 40, Public Sector Combinations	Carrying Amount (para. 26)	No Carrying amount is not a measurement basis. This is public sector specific guidance with no guidance developed in ED 77 supporting a departure.
	Fair Value (para. 72)	No FV best reflects the economics of an acquisition of the assets and liabilities of an operation. <i>See <a href="#">Detailed Analysis</a> below</i>
IPSAS 41, Financial Instruments	Fair Value (para. 66-68)	No IPSASB agreed in June 2020.
	Amortized Cost (para. 69-70)	No Amortized cost is identified in ED 77.
IPSAS 42, Social Benefits	Best Estimate (para. 12)	No Best estimate is not a measurement basis. However, the principles are consistent with Cost of Fulfillment. An explicit reference has been added to ED 77 for additional Cost of Fulfillment guidance.
ED 70, Revenue with Performance Obligations	Transaction Price (para. 45)	No Transaction price is not a measurement basis. Aligned Standard with IFRS 15 – no public sector reason to depart. However, as this project is under development, the measurement project will be considered, as necessary.
	Fair Value (para. 65)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See <a href="#">Detailed Analysis</a> below</i>
ED 71, Revenue without Performance Obligations	Transaction Price (para. 59)	No Transaction price is not a measurement basis. Transaction price is aligned with measurement in ED 70. It is important for consistency in revenue recognition and measurement so an entity is not incentivized to structure its contracts in a certain way.
	Increase in Net Asset (para. 87)	No Increase in net assets is not a measurement basis. It is the difference between the increase in assets offset by any liabilities incurred.
	Fair Value (para. 78)	No The asset (debit entry) is measured at ED 77 FV. The corresponding revenue (credit entry) needs to be measured using the same basis. <i>See <a href="#">Detailed Analysis</a> below</i>
ED 72, Transfer Expenses	Transfer Consideration (para. 47)	No Transfer consideration is not a measurement basis. Transfer consideration was developed in the context of ED 70 and ED 71 transaction price. Changes to this measurement are not appropriate unless also changed in ED 70 and ED 71.
	Carrying Amount (para. 102)	No Carrying amount is not a measurement basis. Expenses measured at carrying amount needs to align with the asset transferred.



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	Measurement Methods	Should Measurement Basis be Updated as a Result of ED 77?
ED 74, Borrowing Costs	Not Applicable IPSAS does not instruct the use of a measurement basis	No
ED 75, Leases	No IPSASB agreed in December 2020 Leases is outside the scope of ED 77.	
ED 79, Non-Current Assets Held for Sale and Discontinued Operations	Fair Value (para. 5)	No ED 79 FV measures the assets held for sale. This is consistent with the concept of FV as defined by ED 77.

## Detailed Measurement Bases Analysis

### Purpose

1. This appendix consolidates the detailed analysis in Appendix A and Appendix B for completeness. It also includes analysis that were not analyzed in Appendix A or Appendix B because the measurement basis was included in ED 77.

IPSAS 9, Revenue from Exchange Transactions IPSAS 11, Construction Contracts IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	
Fair Value (para. 14-17 in IPSAS 9, 17 in IPSAS 11 and 42, 67, 83 in IPSAS 23)	<p><b>Analysis (IPSAS 9, 11 and 23)</b></p> <p>IPSAS 9, 11 and 23 are expected to be replaced by ED 70 and ED 71. Staff analyzed these IPSAS because a period may exist where ED 70 and ED 71 are not yet effective, and an entity wishes to early adopt ED, <i>Measurement</i>.</p> <p>In each of IPSAS 9, 11 and 23, revenue is measured at the fair value of the consideration received or receivable.</p> <p>Since the consideration received or receivable<sup>9</sup> (debit entry) is measured at ED 77 fair value<sup>10</sup>, revenue (credit entry) needs to also be measured at ED 77 fair value.</p> <p><b>Analysis (ED 70 and ED 71)</b></p> <p>ED 70 and ED 71 are still under development. Staff considered the EDs while also understanding the revenue team will consider the measurement project as they finalize the EDs in 2021.</p> <p>In ED 70 and 71, revenue earned with no cash consideration is measured at the fair value of the consideration received or receivable.</p> <p>Since the consideration received or receivable (debit entry) is measured at ED 77 fair value, revenue (credit entry) needs to also be measured at ED 77 fair value.</p>

IPSAS 12, Inventories	
Net Realizable Value (para. 15)	<p><b>Analysis</b></p> <p>Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution (IPSAS 2.9).</p> <p>Since fair value, as defined in ED 77, is the price received to sell an asset, net realizable value could be replaced in IPSAS 12 with <u>fair value, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution</u>.</p> <p>However, given this is an IFRS aligned standard and this change was not reflected in IAS 2, <i>Inventories</i>, nor is net realizable value applied elsewhere in IFRS, staff</p>

<sup>9</sup> The consideration received or receivable is most likely cash or cash receivable (IPSAS 41), Inventory (IPSAS 12), PP&E (ED 78), or investment property (IPSAS 16). All of these assets are measured at, or have an ED 77 FV option.

<sup>10</sup> The only IPSAS where ED 77 fair value will not be applied is IPSAS 13, Leases (ED 75, Leases) and IPSAS 32, Service Concession Arrangements.

	recommend the well understood concept of net realizable value be retained in IPSAS 12.
Current Replacement Cost (para. 17)	<p><b>Analysis</b></p> <p>Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date (IPSAS 2.9).</p> <p>ED 77 has classified the cost approach as a measurement technique. While not a measurement basis in its own right, ED 77 does provide guidance on how it is applied in practice.</p> <p>Staff recommend current replacement cost be retained in IPSAS 12 as it is a well understood concept, that, while not perfectly aligned with the IPSASBs measurement hierarchy, does have sufficient guidance in order for it to be applied in practice.</p>

IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	
Best Estimate (para. 44 in IPSAS 19 and Paragraph 57 in IPSAS 23)	<p><b>Analysis</b></p> <p>The use of best estimate in IPSAS 19 and 23 is not consistent with cost of fulfillment in ED <i>Measurement</i>. This is clear from paragraph 45 of IPSAS 19, which states:</p> <p><i>The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time.</i></p> <p>Cost of fulfillment is explicit the measurement expects the liability to be settled in the normal course of operations, i.e., it will not be transferred to a third party.</p> <p>Given the best estimate is widely applied in practice and no issues have been noted, and IPSAS 19 is an aligned Standard with IAS 37, staff recommend no change to the measurement basis.</p>

IPSAS 21, Impairment of Non-Cash Generating Assets	
Fair Value (para. 40-43)	<p><b>Analysis</b></p> <p>Impairment is recognized when the carrying amount of an asset is greater than its recoverable service amount. Recoverable service amount is the higher of an asset's fair value, less cost to sell, and value in use (IPSAS 21.35).</p> <p>In the context of IPSAS 21, fair value is consistent with the definition of fair value in ED 77. This is because recoverable service amount illustrates whether an assets value to the entity is maximized through use or sale. Since ED 77 indicates fair value is the price received to sell and asset, consistency is achieved.</p>

IPSAS 31, Intangible Assets	
Fair Value (para. 74-86)	<p><b>Analysis</b></p> <p>The distinguishing characteristic between fair value and current operational value is highest and best use. Current operational value measures assets based on current use, while fair value measures assets based on their highest and best use.</p> <p>Intangible assets do not have multiple uses. As such the current use of the intangible asset is its highest and best use. Fair value and current operational value should be similar.</p> <p>Given this is an alignment standard, and the difference between measuring an intangible asset at fair value and current operational value is immaterial, fair value is retained to maintain alignment with IAS 38.</p>

IPSAS 32, Service Concession Arrangements: Grantor	
Fair Value (para. AG25)	<p><b>Analysis</b></p> <p>The use of fair value in IPSAS 32 is not consistent with the approach in ED <i>Measurement</i>. This is clear from paragraph AG25, which states:</p> <p><i>Where payments are made by the grantor to the operator, the fair value on initial recognition of the asset represents the portion of the payments paid to the operator for the asset.</i></p> <p>This is a transaction-specific entry value, not an exit value as fair value is now defined.</p> <p>Staff recommends including a scope exemption in ED 77 in order to retain the previous definition of fair value, which could accommodate the approach in AG25 (the same approach as taken in IPSAS 13, <i>Leases</i>, although without the justification of an ongoing project).</p>

IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	
Fair Value (Deemed Cost) (para. 64)	<p><b>Analysis</b></p> <p>IPSAS 33 requires a first-time adopter apply the requirements of the IPSASs retrospectively except when reliable cost information is not available. In these cases, a first-time adopter measures assets and/or liabilities using deemed cost.</p> <p>In IPSAS 33, deemed cost for most financial statement balances is fair value. Deemed cost for inventory or investment property is either fair value or replacement cost.</p> <p>Regardless of whether deemed cost is fair value or replacement cost, the measurement basis should align with the measurement basis in the respective IPSAS:</p> <ul style="list-style-type: none"> <li>- For fair value, other IPSAS now apply fair value as defined in ED 77, <i>Measurement</i>. As such, fair value as defined in ED 77 should also be applied in IPSAS 33; and</li> <li>- For replacement cost, IPSAS 12 and IPSAS 16 continue to apply replacement cost. No changes to the replacement cost concepts in IPSAS 33 are necessary.</li> </ul>
Replacement Cost (Deemed Cost) (para. 70)	

IPSAS 35, Consolidated Financial Statements	
<p>Fair Value (para. 51 – change in NCI, para. 52 – Loss of control, para. 56 – Inv. Entity)</p>	<p><b>Analysis</b></p> <p>IPSAS 35 requires the use of fair value in three circumstances:</p> <ul style="list-style-type: none"> <li>- <b>Change in NCI.</b> Paragraph 51 requires an entity adjust the carrying amounts of the controlling and Non-Controlling Interest (NCI) to reflect the changes in the relative interest in the controlled entity. Any difference between the amount which the NIC is adjusted and the fair value of the consideration paid or received is recognized directly in net assets/equity. The receipt or transfer of consideration is a financial transaction and the asset receive or transferred is/was held for its financial capacity when the change in NCI occurred. As such fair value as defined in ED 77 appropriately reflects the economics of the transaction.</li> <li>- <b>Loss of control.</b> The IPSASB decided in June 2020 fair value as defined in ED 77 should be applied in this IPSAS.</li> <li>- <b>Investment entities.</b> These are entities that: <ul style="list-style-type: none"> <li>(a) Obtain funds from one or more investors for the purpose of providing those investor(s) with investment management services;</li> <li>(b) Have the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both; and</li> <li>(c) Measure and evaluate the performance of substantially all of its investments on a fair value basis.</li> </ul> </li> </ul> <p>In each case the investments of an investment entity are held for their financial capacity. Fair value as defined in ED 77 appropriately reflects the economics of the transaction.</p>

IPSAS 36, Investments in Associates and Joint Ventures	
<p>Fair Value (para. 26 – loss of influence, para. 39 – Inv. Entity, para. 47 – Impairment)</p>	<p><b>Analysis</b></p> <p>IPSAS 36 requires the use of fair value in three circumstances:</p> <ul style="list-style-type: none"> <li>- <b>Loss of influence.</b> Paragraph 26 requires the retained interest is measured at fair value. This is consistent with IPSAS 41, which IPSAS 36 references, because when a loss of influence occurs, the investment is a financial instrument within the scope of IPSAS 41. Fair value as defined in ED 77 is applied in IPSAS 41.</li> <li>- <b>Investment entity.</b> The IPSASB decided in June 2020 fair value as defined in ED 77 should be applied in this IPSAS.</li> <li>- <b>Impairment.</b> When evaluating whether an impairment exists, the entity determines the recoverable amount (higher of fair value less costs to sell and value in use). This is consistent with the requirement of IPSAS 21 and IPSAS 26, where fair value as defined in ED 77 is applied.</li> </ul>

IPSAS 40, Public Sector Combinations	
Fair Value (para. 72)	<p><b>Analysis</b></p> <p>In June 2020, the IPSASB noted acquiring an operation could occur for financial purposes or for strategic purposes. Since the assets/liabilities were not solely held for their financial capacity, further analysis was required to determine the most appropriate measurement basis.</p> <p>Fair value is the price that would be received to sell an asset or paid to transfer a liability. This is consistent with an acquisition transaction. Assets/liabilities are acquired or assumed. The measurement should reflect this.</p> <p>Staff considered the other current value alternative: current operational value. However, because current operational value measures the value of the asset in its current use, and is only applicable to measuring assets, it is inappropriate to apply in IPSAS 40.</p>