

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 21–25, 2022

Agenda Item 9

For:

- ☐ Approval
☒ Discussion
☐ Information

MEASUREMENT

Project summary	The project objective is to revise IPSAS requirements for measurement, provide guidance on measurement and address the treatment of transaction costs and borrowing costs.	
Task Force members	<ul style="list-style-type: none"> David Watkins, IPSASB Technical Advisor (Task Force Chair) Takeo Fukiya, IPSASB Technical Advisor Francesco Capalbo, Second University of Naples Jonathan Fothergill, RICS Elles Mukunyadze, Public Accountants and Auditors Board 	
Meeting objectives	Topic	Agenda Item
Project management	Measurement: Project Roadmap	9.1.1
	Instructions up to Previous Meeting	9.1.2
	Decisions up to Previous Meeting	9.1.3
Decisions required at this meeting	Coordinator's Report	9.2.1
	Summary of Responses to ED 77, <i>Measurement</i>	9.2.2
	Fair Value	9.2.3
	Cost of Fulfillment	9.2.4
	Location of Measurement Disclosures Requirements	9.2.5
	Other Issues	9.2.6
	Other Issues – Disclosure	9.2.7
	Recurring Issues	9.2.8
	Summary of Responses to Current Operational Value	9.2.9
Other supporting items	Supporting Documents 1 – Summary of Responses	9.3.1
	Supporting Documents 2 – [draft] IPSAS [X], <i>Measurement</i>	9.3.2
	Supporting Documents 3 – Amendments to Other IPSAS	9.3.3

**MEASUREMENT:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
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. 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. Issue Pronouncement

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2021	1. Develop a detailed response analysis for the IPSASB's review in March 2022	1. See Agenda Item 9.1.2.
	2. Frame the public sector measurement basis analysis in the context of the Conceptual Framework Measurement objective and what the IPSASB is trying to achieve in developing the measurement basis	2. In progress – June 2022

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
February 2021	1. All decisions made up until February 2021 were reflected in ED 77, Measurement	1. All decisions made up until February 2021 were reflected in ED 77, Measurement

Coordinators Report

Purpose

1. To provide the IPSASB with an overview of the issues addressed as part of the work performed by the:
 - (a) Conceptual Framework – Limited-Scope Update (CF-LSU);
 - (b) Measurement; and
 - (c) Non-Current Assets Held for Sale and Discontinued Operations project teams.

Background

2. At its December 2021 meeting, the IPSASB reviewed a summary analysis of the 165 responses 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.

Unedited responses are posted on the website:

- [Responses to ED 76](#);
 - [Responses to ED 77](#);
 - [Responses to ED 78](#); and
 - [Responses to ED 79](#).
3. The IPSASB discussed 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.
 4. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.

Analysis

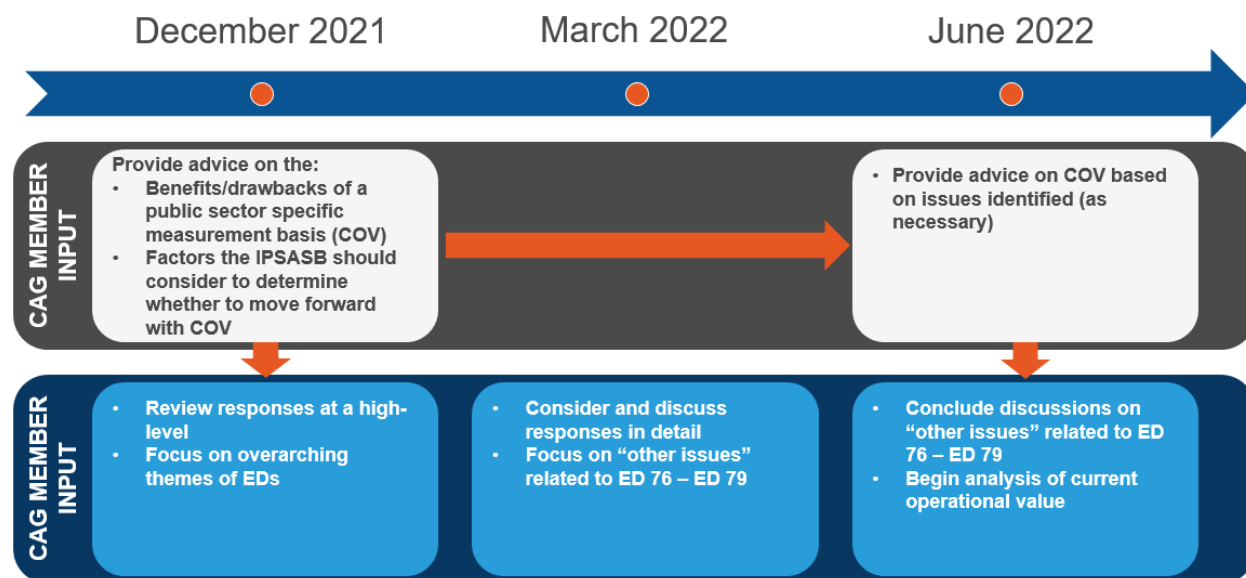
Agreed Timeline

5. As part of the IPSASB's review of the summary analysis, it agreed it would first focus its resources on "other issues" identified by respondents. These are issues that were raised as part of the general

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support for the proposals (clarification, additional guidance, more explanation, etc.). This immediate focus was planned for March 2022.

6. Following the IPSASB's focus on "other issues", the IPSASB will turn to COV. Based on staff's detailed analysis of the "other issues", the IPSASB will be able to begin its analysis of COV in June 2022.



Coordinated approach

7. In order to move the projects forward in a consistent and efficient manner, staff followed the same approach as in 2020. This included:
 - (a) Joint development of the overall project plan for the quarter;
 - (b) Discussion of cross-cutting agenda items prior to the development of the agenda paper; and
 - (c) Review and comparison of all agenda papers to ensure consistency in recommendations.
8. This process has resulted in an integrated approach allowing the Board to review agenda items in a logical order. This is important because decisions in one project often impact the other.

March 2022 Focus – Other Issues

9. With time to perform a detailed analysis of other issues across ED 76, ED 77, and ED 79, staff developed a full analysis and provided recommendations for all "other issues". While issues have been identified that require the IPSASB's attention, none:
 - (a) Present information the IPSASB had not previously considered;
 - (b) Raise an issue specific to the public sector; or
 - (c) Identify challenges when applying principles.
10. With recommendations across the "other issues", staff are confident the IPSASB's attention can turn to COV in June 2022.

Property, Plant, and Equipment

11. During Q1 2022, IPSASB staff did not have adequate resources to evaluate responses to ED 78. With the progress made in Q1 2022, staff expects resources will be available in Q2 2022 to perform a detailed analysis of ED 78. This should not impact the overall project timeline across the measurement suite of projects. Respondents were split on how COV should be applied to property, plant, and equipment. It is likely the final pronouncement on property, plant, and equipment will have to be issued when the COV concepts are addressed as part of the measurement and conceptual framework update projects.

Decision Required

12. No decision required.

Summary of Responses to ED 77, *Measurement*

Purpose

1. To provide the IPSASB with an overview of the responses to ED 77, *Measurement*.

Background

2. The IPSASB issued its Measurement ED in April 2021. This ED was based on comments received in response to the April 2019 Measurement Consultation Paper (CP), specifically, the illustrative ED included as an appendix to that CP.
3. The IPSASB received 45 responses to ED 77. The summary analysis of these responses was reviewed at the December 2021 IPSASB meeting. Unedited responses to ED 77 can be found on the website ([Responses to ED 77](#)).
4. With general support spread across the majority of the SMCs, the IPSASB agreed that the analysis in March 2022 should focus on those SMCs where support was strong. This would allow the IPSASB to lock down most of the measurement standard. Where responses were split – SMCs related to the public sector measurement basis – the IPSASB would turn its focus and resources, after the strongly supported SMCs were cleared.
5. The IPSASB agreed to focus its efforts on Current Operational Value, SMCs 5-8, beginning in June 2022.

Analysis

6. In December, the IPSASB discussed 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.

Strongly supported SMCs

7. Responses to ED 77 strongly supported the proposals in SMCs 1-4 and 9-15. These SMCs related to:
 - (a) **Initial Measurement and Subsequent Measurement (except for COV)**. Over 90% of respondents either agreed or partially agreed with the proposals in SMCs 1–4 and 9–10;
 - (b) **Disclosures**. Over 80% of respondents either agreed or partially agreed with the proposals in SMCs 11 and 13–15. 79% of respondents either agreed or partially agreed with the proposals in SMC 12.
8. Strong support is due in part to the IPSASB's effort to develop the illustrative ED included as an appendix to the April 2019 CP. SMCs that were strongly supported, specifically SMCs 1–4 and 9–10, relate to guidance respondents were able to review as part of the CP and ED phases.
9. The upfront effort to develop the illustrative exposure draft has streamlined the process during the final pronouncement phase (current phase) because the IPSASB had the opportunity to address

significant concerns related to initial and subsequent measurement during the development of the ED. The IPSASB has positioned itself strongly as it enters the final phase of development for IPSAS, *Measurement*.

10. 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 to support making policy choices.
11. Issues related to SMC 1-4 and 9-15, have been analyzed and addressed in [Agenda Items 9.2.3 – Agenda Item 9.2.8](#).

Current Operational Value

12. Responses to Current Operational Value, SMCs 5-8, were split between:
 - (a) Move forward with the COV principles proposed;
 - (b) Build on COV principles proposed; and
 - (c) Depart from COV proposals.
13. This split in views is likely due to several factors:
 - (a) Respondents' inherently different preferences. Some strongly support efforts to develop public sector-specific guidance, while others support alignment with the private sector as much as possible. Most respondents fall between the two extremes, but biases play into initial reactions to new proposals; and
 - (b) COV is a new measurement basis developed by the IPSASB for the public sector. Respondents may need time to gain comfort and the IPSASB has areas to clarify/tighten the proposals.
14. Given the complexity of COV and the split in responses, the IPSASB agreed to begin its detailed analysis in June 2022. The limited analysis provided in [Agenda Item 9.2.9](#) is for informational purposes to help the IPSASB get acquainted with respondent views.

Quantitative Analysis

15. Staff has prepared the quantitative response analysis for informational purposes (See [Supporting Document 1 – Agenda Item 9.3.1](#)).

Qualitative Analysis

16. Each response is evaluated on its own merits and considers whether the comments:
 - (a) Present information the IPSASB had not previously considered;
 - (b) Raise an issue specific to the public sector; or
 - (c) Identify challenges when applying principles.
17. Qualitative analysis on SMCs 1-4 and 9-15 is included throughout Agenda Item 9. Qualitative analysis for SMCs 5-8 will be developed beginning June 2022.
18. Detailed NVivo reports are available at a Board member's request.

Decision Required

No decision is required.

Fair Value

Question

1. Does the IPSASB agree the fair value issues identified by respondents in Specific Matters for Comment ("SMC") 9, have been appropriately addressed?

Recommendation

2. Staff recommend the non-conceptual concerns identified by respondents be actioned as noted in paragraph 7.

Background

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.

Analysis

4. As part of the April 2019 Measurement Consultation Paper, the IPSASB had a preliminary view that fair value guidance should be aligned with IFRS 13, taking into account public sector financial reporting needs and the special characteristics of the public sector. This view was strongly supported by respondents.¹ Respondents to the CP generally recommended improvements or identified inconsistencies between the cost approach being a measurement technique for fair value and a measurement basis in its own right in the CP.
5. The ED maintained the strongly supported fair value principles proposed in the CP and maintained alignment with IFRS 13. Clarifications were made as necessary and, consistent with IFRS 13, the cost approach remained as a measurement technique for a fair value in ED 77.
6. Given the consistency with the strongly supported principles from the CP, the fair value principles proposed in ED 77 were again strongly supported.² No significant issues were identified in responses as it relates to the principles proposed in fair value.
7. Staff have actioned all issues identified by respondents:

Issue	Analysis	Recommendation
Clarifications Recommendations to clarify principles.	Clarifications do not alter the principles developed by the Board. Staff have reviewed each recommendation to determine whether action is appropriate. Changes are reflected and tracked in Agenda Item 9.3.2 .	See Agenda Item 9.3.2 . Staff have reviewed clarification recommendations and actioned appropriately.

¹ 81% of CP respondents agreed or partially agreed with the preliminary view proposed

² 93% of ED respondents agreed or partially agreed with the fair value principles proposed

<p>Non-authoritative guidance</p> <p>Recommendation to provide additional guidance to support the implementation of the Standard.</p>	<p>Respondents recommended developing several examples to support the application of the Standard.</p> <p>Developing measurement examples consistently across the measurement bases and across the IPSAS requires significant resources. Delegating the review of this non-authoritative guidance to the Task Force enables the IPSASB to focus its limited resources on Current Operational Value.</p>	<p>Engage the Task Force to consider respondents' requests for examples and propose Implementation Guidance / Illustrative Examples if appropriate.</p>
<p>Depart from IFRS 13 fair value</p> <p>Recommendation to provide additional guidance to support the implementation of the Standard.</p>	<p>Some respondents suggested departing from the IPSASB's decision to align with IFRS 13 guidance:</p> <ul style="list-style-type: none"> - Remove the cost approach as a permitted measurement technique (focus on developing a single cost approach measurement basis); - Appendix C, Fair Value, should be a stand-alone standard; and - Remove levels 2 and 3 of the fair value hierarchy as they are challenging to apply. <p>Given the IPSASB's decision to align fair value principles with IFRS 13, respondents that proposed a departure did not present information the IPSASB had not previously considered nor did they identify a public sector reason to depart.</p>	<p>No action necessary</p>

Decision Required

8. Does the IPSASB agree with Staff's recommendation?

Cost of Fulfillment

Question

- Does the IPSASB agree the cost of fulfillment issues identified by respondents in Specific Matters for Comment ("SMC") 10, have been appropriately addressed?

Recommendation

- Staff recommend the non-conceptual concerns identified by respondents be actioned as noted in paragraph 4.

Background

- In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.

Analysis

- Staff have actioned all concerns identified by respondents:

Issue	Analysis	Recommendation
<p>Clarification of the measurement techniques available</p> <p>Suggestions to clarify principles related to the income approach as a measurement technique of the Cost of Fulfillment measurement basis.</p>	<p>Respondents have recommended that the proposed standard clarify:</p> <ol style="list-style-type: none"> How the income approach is applied when measuring the value of liabilities. The nature and determination of forecasted amounts that should be considered in the income approach, considering the likelihood of non-cash generating activities with regards to the relevant asset or liability under consideration. Whether the market approach and cost approach may be considered as applicable techniques to measure the cost of fulfillment. <p><i>Market/Cost Approach</i></p> <p>During the development of the ED, the IPSASB agreed the income approach is the only relevant measurement technique for the cost of fulfillment. As noted in Paragraph D11 of Agenda Item 9.3.2, the cost of fulfillment measures the liability assuming that the entity settles the obligation. Both the cost approach and market approach assume the liability will be transferred. Respondents did not present any arguments that the IPSASB has not previously considered.</p> <p><i>Income Approach</i></p> <p>The application challenges related to the income approach were also identified in the alternative view</p>	<p><i>Market/Cost Approach</i></p> <p>No action is necessary.</p> <p><i>Income Approach</i></p> <p>With regards to respondents' first</p>

Issue	Analysis	Recommendation
	included in ED 77. Analysis and clarification will begin in June 2022.	and second comments, clarification of the income approach will be addressed with COV.
Non-authoritative guidance Recommendation to provide additional guidance to support the implementation of the Standard.	Respondents recommended developing several examples to support the application of the Standard. Developing measurement examples consistently across the measurement bases and across the IPSAS requires significant resources. Delegating the review of this non-authoritative guidance to the Task Force enables the IPSASB to focus its limited resources on Current Operational Value.	Engage the Task Force to consider respondents' requests for examples and propose Implementation Guidance / Illustrative Examples if appropriate.
Editorial updates and clarifications Recommendation to clarify principles and make editorial updates.	Editorial updates and clarifications do not alter the principles developed by the Board. Staff have reviewed each recommendation to determine whether action is appropriate. Changes are reflected and tracked in Agenda Item 9.3.2 .	See Agenda Item 9.3.2 . Staff have reviewed editorial and clarification recommendations and actioned appropriately.

Decision Required

- Does the IPSASB agree with Staff's recommendation?

Location of Measurement Disclosure Requirements

Question

1. Does the Task Force agree that the measurement disclosure comments identified by respondents to ED 77's Specific Matter for Comment ("SMC") 11 and 12 have been appropriately addressed?

Recommendation

2. Staff recommends that generic measurement disclosure requirements that apply across the IPSAS be consolidated in the Measurement standard.

Background

3. At the inception of the Measurement project, one of the objectives set out in the Project Brief was the development of measurement disclosures. However, during discussions as the CP was developed. The IPSASB concluded that disclosure requirements were more useful to preparers if they were located in the applicable IPSAS. New disclosure requirements were proposed as Amendments to Other IPSAS in ED 77.

Analysis

4. Staff have analyzed all comments identified by respondents:

Issue	Consolidated disclosure requirements: Some respondents recommended consolidating measurement disclosure requirements into the Measurement standard, similar to IFRS 13.
What did respondents say?	<p>Staff have reviewed the respondents' comments to Specific Matters for Comment 11 and 12.</p> <p>25% of respondents have recommended that measurement disclosure requirements should be included in the Measurement standard, and not in the IPSAS to which the asset or liability pertains, as:</p> <p>Argument 1: Including standard measurement disclosure requirements directly in the measurement standard helps ensure consistency in disclosures.</p> <p>Argument 2: Any update(s) to these standard disclosure requirements will not result in updates being needed in all standards, which is more efficient.</p>
Analysis	<p>Argument 1: Including standard measurement disclosure requirements directly in the measurement standard helps ensure consistency in disclosures.</p> <p>The IPSASB decided the measurement disclosures should be inserted in the relevant IPSAS to clearly indicate in which IPSAS the disclosures are to be applied.</p> <p>Staff have noted that most respondents agreed with the IPSASB. Consistent with the IPSASB view, respondents noted that it is more useful for disclosure requirements, specific for the particular subject matter, to be included in the IPSAS to which the asset or liability pertains, to avoid having to refer to different standards for the relevant disclosure requirements.</p>

	<p>Argument 2: Any update(s) to these standard disclosure requirements will not result in updates being needed in all standards, which is more efficient.</p> <p>Staff agree in principle, when disclosures are consolidated in one standard, updates to the guidance are easy for staff to make and potentially for stakeholders to follow. However, since the issuance of IFRS 13, <i>Fair Value Measurement</i>, only one narrow scope update has been made to the disclosure requirements³.</p> <p>Consolidation of Generic Disclosures</p> <p>Some respondents to Specific Matter for Comment 12 recommended a compromise between consolidating disclosure requirements in the Measurement IPSAS and disaggregating them across the relevant IPSAS – consolidating generic disclosures in IPSAS, <i>Measurement</i>. Respondents are of the view that there are measurement disclosure requirements that apply across IPSAS that should be included in the Measurement standard, in order to remove the duplication of disclosure requirements across the relevant IPSAS.</p> <p>Respondents to Specific Matter for Comment 12 recommended that the following list of generic disclosures inserted across the IPSAS should be included in the Measurement standard, similar to the IFRS 13 Fair Value Measurement standard:</p> <ul style="list-style-type: none"> • General objectives of disclosure, • Measurement techniques and inputs used to develop those measurements for items measured at a current value on a recurring or non-recurring basis. • For recurring current value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period⁴. <p>To comply with the disclosures in the individual IPSAS, preparers will need to refer to the Measurement standard. Therefore, to assist with the application of the disclosures, if the principles associated with the disclosures are in the Measurement standard, the disclosures should be as well.</p>
Recommendation	<p>Staff recommends that the generic measurement disclosures set out in Appendix A, which apply across the relevant IPSAS, should be consolidated in the Measurement standard.</p>

Decision Required

5. Does the Task Force agree with Staff's recommendation?

³ The updates made reflect disclosures that companies applying IFRS Standards often include in their financial statements but that are not explicitly required by the IFRS standards.

⁴ Refer to Appendix A for the extracts of the generic disclosure requirements inserted in the relevant IPSAS.

Appendix A – Generic disclosure requirements

1. Staff recommends consolidating generic measurement disclosure guidance in IPSAS, *Measurement*.

Current Locations^{*5}	Generic Measurement Guidance	Original Source
IPSAS 12 (50A and 50B)	<p>A An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p>(a) For assets or liabilities that are measured at current operational value or fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and</p> <p>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</p>	IFRS 13.91
IPSAS 16 (89A and 89B)		
IPSAS 27 (46A and 46B)		
IPSAS 30 (30A and 30B)		
IPSAS 31 (123A and 123B)	<p>B To meet the objectives in paragraph A, an entity shall consider all the following:</p> <p>(a) The level of detail necessary to satisfy the disclosure requirements;</p> <p>(b) How much emphasis to place on each of the various requirements;</p> <p>(c) How much aggregation or disaggregation to undertake; and</p> <p>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph A, an entity shall disclose additional information necessary to meet those objectives.</p>	IFRS 13.92
IPSAS 33 (152A and 152B)		
IPAS 38 (57A and 57B)		
ED 78 (82 and 83)		
ED79 (54 and 55)		

⁵ Current locations as proposed in Amendments to Other IPSAS in ED 77.

Other Issues

Question

1. Does the IPSASB agree the other issues identified by respondents in Specific Matters for Comment (“SMC”) 1 to 4, have been appropriately addressed?

Recommendation

2. Staff recommend the non-conceptual concerns identified by respondents be actioned as noted in paragraph 4.

Background

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB’s review in March 2022.
4. As part of the detailed analysis, staff identified other minor issues spread across the SMCs.

Analysis

5. Staff have actioned all issues identified by respondents:

Issue	Analysis	Action
<p>Clarification of the accounting policy choice</p> <p>Suggestions to clarify principles related to the selection of a measurement basis (historical cost or current value).</p>	<p>Some respondents have recommended that the following practical considerations be incorporated in IPSAS Measurement, to assist stakeholders with the development of the accounting policy choice. Respondents recommended that the proposed standard should make it clear that:</p> <ol style="list-style-type: none"> 1. The selection of the policy choice should reflect, and be consistent with, the objective for which the asset is held for use by the entity; 2. The characteristics of the item and its intended use should drive the accounting policy choice; and 3. There are instances when a country/jurisdiction is guided by a relevant framework in which the measurement model is pre-determined. <p>Staff have reviewed the authoritative and non-authoritative guidance in the Measurement Standard (see paragraphs 17, 18, 19, and BC 22-BC 27 of Agenda Item 9.3.2). The current text provides limited practical guidance as to the selection of the accounting policy. Clarifying the IPSASB’s decisions will assist in the consistency of accounting policy choices across reporting entities.</p>	<p>See IG B.2 and BC 23A – BC23C in Agenda Item 9.3.2.</p>

Issue	Analysis	Action
Clarification of the difference between historical cost and transaction price: Suggestions to clarify concepts to ensure consistent understanding amongst stakeholders.	<p>A minority of respondents have recommended that staff clarify the difference between historical cost and transaction price.</p> <p>Staff have reviewed the definitions of 'transaction price', 'historical cost', and paragraphs A2 - A5. The current definition of 'historical cost' read with paragraph A2 suggests that historical cost and transaction price conceptually have the same meaning. Staff recommends updating the historical cost definition and amending Appendix A to enhance the understanding of the historical cost measurement basis.</p>	<p>See paragraphs 6, A2, IG D.1, and BC 28A-28C in Agenda Item 9.3.2.</p>

Decision Required

6. Does the IPSASB agree with Staff's recommendation?

Other Disclosure Issues

Question

1. Does the IPSASB agree the other disclosure issues identified by respondents in Specific Matters for Comment ("SMC") 11 - 15, have been appropriately addressed?

Recommendation

2. Staff recommend the non-conceptual concerns identified by respondents be actioned as noted in paragraph 4.

Background

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.

Analysis

4. Staff have actioned all concerns identified by respondents:

Issue	Analysis	Recommendation
Materiality Suggestions to clarify the application of materiality and professional judgment in the implementation of the disclosure requirements.	<p>Respondents recommended the IPSASB clarify how preparers of annual financial statements should apply materiality and professional judgment when implementing the disclosure requirements.</p> <p>Since the IPSASB has not yet considered the IASB's broader amendments on materiality, respondents are concerned that entities may not necessarily consider materiality when assessing the level of detail and aggregation or disaggregation necessary to meet the disclosure objective. Respondents are concerned that the disclosure requirements may be applied without considering materiality and result in extensive information in the annual financial statements.</p> <p>Staff have reviewed the authoritative and non-authoritative guidance in <i>The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> and <i>IPSAS 1 - Presentation of Financial Statements</i>. Paragraphs 3.32 – 3.34 and BC3.29 – BC3.32 in <i>The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i>, and paragraphs 13, 45 – 47 in <i>IPSAS 1 - Presentation of Financial Statements</i> provide clear and complete guidance concerning the application of materiality and the professional judgment that should be applied in the preparation of the annual financial statements.</p>	<p>No further action is necessary</p> <p>(Practice Statement: Making Materiality Judgements is considered as part of the Mid-Period Work Program Consultation. See Agenda Item 5)</p>

<p>Current value measurement disclosure requirements at initial recognition</p> <p>Recommendation to provide current value measurement disclosure requirements at initial recognition.</p>	<p>Respondents recommended disclosures be required for assumptions applied in a current value measurement applied at initial recognition (for example, PP&E may be measured at fair value on acquisition, but subsequently at amortized cost if the transaction price does not faithfully present relevant information).</p> <p>Where a current value measurement is applied on the transaction date, disclosure of the assumptions made to develop the valuation is required. While they are not the full suite of disclosure requirements, consistent with IFRS 13, ED 77 proposed disclosure of assumptions used in fair value measurements disclosed in the notes to the financial statements. This addresses the respondent's concern as the notes to the financial statements require reconciliations between opening and closing balances. Opening balances will include transactions during the period, including those measured using a current value measure.</p> <p>To assist the preparers of the financial statements with the application of the current value measurement disclosure requirements, staff recommends that the minimum disclosure requirements included in each of the relevant IPSAS be clearly highlighted in an easy-to-understand format. Staff recommends inserting Appendix A in the relevant IPSAS in which current value measurement disclosures are expected to be substantive for the preparers of the annual financial statements.</p>	<p>See Appendix A.</p>
<p>Non-authoritative guidance</p> <p>Recommendation to provide additional guidance to support the implementation of the Standard.</p>	<p>Respondents recommended developing several examples to support the disclosure requirements of the Standard.</p> <p>Developing measurement examples consistently across the measurement bases and across the IPSAS requires significant resources. Delegating the review of this non-authoritative guidance to the Task Force enables the IPSASB to focus its limited resources on Current Operational Value.</p>	<p>Engage the Task Force to consider respondents' requests for examples and propose Implementation Guidance / Illustrative Examples if appropriate.</p>

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Editorial updates Recommendation to make editorial updates.	Editorial updates do not alter the principles developed by the Board. Staff have reviewed each recommendation to determine whether action is appropriate. Changes are reflected and tracked in Agenda Item 9.3.2 .	See Agenda Item 9.3.2 . Staff have reviewed editorial recommendations and actioned appropriately.
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Decision Required

5. Does the IPSASB agree with Staff's recommendation?

Appendix A – Application of the current value disclosure requirements

1. Respondents identified challenges in determining which current value disclosures apply to:

- (a) Current value measures on the face of the financial statements; and/or
- (b) Current value measures only in the notes to the financial statements.

Example: [draft] IPSAS [X], *Non-current Assets Held for Sale and Discontinued Operations* requires when there is a material difference between the carrying amount of the asset presented in the financial statements and its fair value less cost to sell, fair value must be disclosed in the notes.

2. Staff recommend this table be added to each IPSAS where current value disclosures are required to clarify which disclosures are applicable.

			Current Value Measurement						Only Current Value Disclosed		
			Recurring			Non-Recurring					
Current Locations ⁶	Relevant paragraph ⁷	Requirement	L1 ⁸	L2 ⁹	L3 ¹⁰	L1	L2	L3	L1	L2	L3
IPSAS 12 (50C (b))	(a)	Fair value measurement at the end of the reporting period	X	X	X	X	X	X			
IPSAS 16 (89C (b))	(a)	Reasons for the measurement				X	X	X			
IPSAS 27 (46C (b))	(b)	Level of the fair value hierarchy	X	X	X	X	X	X	X	X	X
IPSAS 30 (30C (b))	(c)	Description of the measurement technique(s) and the inputs used in the fair value measurement		X	X		X	X		X	X
IPSAS 31 (123C (b))											
IPSAS 34 (23C (b))	(c)	Any changes to the measurement technique(s) and the reasons therefore		X	X		X	X		X	X
IPSAS 38 (57C (b))	(c)	Quantitative information about the significant unobservable inputs used in the fair value measurement		X	X		X	X		X	X
	(d)	Reconciliation from the opening balances to the closing balances			X						
	(e)	Total gains or losses for the period included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those intangible assets held at the end of the reporting period			X						
	(f)	Description of the valuation processes used by the entity			X			X			

	(g)	Narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs			X						
	(g)	For financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes ¹¹ .			X						

⁶ Current locations as proposed in Amendments to Other IPSAS in ED 77.

⁷ The relevant IPSAS paragraph includes multiple requirements, The paragraph has therefore been split across multiple rows in this table, for ease of understanding.

⁸ "L1" refers to level 1 inputs, which are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

⁹ "L2" refers to level 2 inputs, which are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

¹⁰ "L3" refers to level 3 inputs, which are unobservable inputs for the asset or liability.

¹¹ This disclosure requirement is limited to the amendments made to *IPSAS 30, Financial Instruments: Disclosures*.

Recurring Issues

Question

1. Does the IPSASB agree the recurring issues identified by respondents in Specific Matters for Comment ("SMC") 1 to 4, have been appropriately addressed?

Recommendation

2. Staff recommend the non-conceptual concerns identified by respondents be actioned as noted in paragraph 4.

Background

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.
4. As part of the detailed analysis, staff identified recurring themes spread across the SMCs.

Analysis

5. Staff have actioned all concerns identified by respondents:

Issue	Analysis	Recommendation
Editorial updates and clarifications Recommendations to clarify principles and make editorial updates.	Editorial updates and clarifications do not alter the principles developed by the Board. Staff have reviewed each recommendation to determine whether action is appropriate. Changes are reflected and tracked in Agenda Item 9.3.2 .	See Agenda Item 9.3.2 . Staff have reviewed editorial and clarification recommendations and actioned appropriately.

<p>Definitions</p> <p>Recommendations to enhance definitions to ensure consistency across IPSAS.</p>	<p>Respondents recommended clarifying:</p> <ul style="list-style-type: none"> - Broadening the definition of the transaction price to include construction costs; and - Deemed costs between IPSAS, Measurement, and IPSAS 33. 	<p>See Agenda Item 9.3.2. Staff have reviewed definitional recommendations and actioned appropriately. See paragraph 6.</p> <p>See Agenda Item 9.3.3. Staff added a BC to IPSAS 33 clarifying generic deemed cost guidance in IPSAS, Measurement should be applied.</p>
<p>Non-authoritative guidance</p> <p>Recommendation to provide additional guidance to support the implementation of the Standard.</p>	<p>Respondents recommended developing several examples to support the application of the Standard.</p> <p>Developing measurement examples consistently across the measurement bases and across the IPSAS requires significant resources. Delegating the review of this non-authoritative guidance to the Task Force enables the IPSASB to focus its limited resources on Current Operational Value.</p>	<p>Engage the Task Force to consider respondents' requests for examples and propose Implementation Guidance / Illustrative Examples if appropriate.</p>

Decision Required

6. Does the IPSASB agree with Staff's recommendation?

Summary of Responses to Current Operational Value

Purpose

1. To provide the IPSASB with an initial quantitative analysis of the responses to Current Operational Value (COV).

Background

2. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 77, *Measurement*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review in March 2022.
3. The IPSASB agreed analysis on COV would begin in June 2022, after other issues were resolved in March 2022. However, staff believed it would be beneficial for the IPSASB to consider responses by region and function in advance of the June meeting.
4. With the limited information, the IPSASB is not able or expected to make any decisions in March 2022 related to COV.

Analysis

5. Responses to Current Operational Value, SMCs 5-8, were split between:
 - (a) Move forward with the COV principles proposed;
 - (b) Build on COV principles proposed; and
 - (c) Depart from COV proposals.
6. This split was fairly even with approximately a third of respondents in each category. While qualitative analysis will drive the IPSASB's June decisions and Agenda Item, it may be useful to understand the regional and functional make up of responses to the COV SMCs.
7. Staff analyzed SMC 5 and SMC 6. They are most relevant to the split in views:
 - (a) SMC 5 – Do you agree the current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date?
 - (b) SMC 6 – Do you agree the proposed definition of current operational value and the accompanying guidance is appropriate for public sector entities?
8. SMC 7 and SMC 8 were not included in the analysis as they are questions related to COV, but are not relevant to the split in the direction in which the IPSASB should proceed with the public sector measurement basis.
 - (a) SMC 7 – Do you agree if there is no locational requirement for the asset, the asset's current operational value should assume that the notional replacement will be situated in the same location as the current asset is situated or used?
 - (b) SMC 8 – Do you agree the income approach should be available to estimate the value of an asset measured using the current operational value measurement basis

Table 1 – Analysis by Region

	Africa and the Middle East	Asia	Australasia and Oceania	Europe	International	Latin America	North America	Total
Agree - Move forward with the COV principles proposed								
SMC 5	5	3	-	4	1	4	2	19 (42%)
SMC 6	4	3	-	4	-	3	2	16 (36%)
Partially Agree - Build on COV principles proposed								
SMC 5	3	1	1	3	-	1	1	10 (22%)
SMC 6	3	1	1	2	1	2	1	11 (24%)
Disagree - Depart from COV proposals								
SMC 5	2	-	5	2	-	6	1	16 (36%)
SMC 6	3	-	5	3	-	6	1	18 (40%)

9. As noted in the table, the strongest support comes from Africa and the Middle East, while the least support comes from Australasia and Oceania, and Latin America.

Table 2 – Analysis by Function

	Accountancy Firm	Audit Office	Member of Regional Body	Other	Preparer	Standard Setter	Total
Agree - Move forward with the COV principles proposed							
SMC 5	4	1	6	4	2	2	19 (42%)
SMC 6	3	-	7	3	2	1	16 (36%)
Partially Agree - Build on COV principles proposed							
SMC 5	-	-	4	1	2	3	10 (22%)
SMC 6	1	1	2	1	3	3	11 (24%)
Disagree - Depart from COV proposals							
SMC 5	-	3	2	1	7	3	16 (36%)
SMC 6	-	3	3	2	6	4	18 (40%)

10. As noted in the table, the strongest support comes from Members of the Regional Body, while the least support comes from Preparers. Further clarity regarding principles would potentially help preparers more easily understand the proposals.
11. Of note, valuers that responded to ED 77 are classified as “other” and generally supported, either agree or partially agree, the proposals.

Decision Required

12. No decision required. For informational purposes only.

Supporting Documents 1—Summary of Responses

Exposure Draft 77, *Measurement*

		Agree	Partially Agree	Disagree	No Comment	% Agree and Partially (excludes no comment)
SMC 1	Transaction Price	33	7	1	4	98%
SMC 2	Measurement Models	32	5	3	5	93%
SMC 3	Historical Cost	28	9	1	7	97%
SMC 4	Historical Cost Techniques	31	6	2	6	95%
SMC 5	COV (Definition)	19	10	16	-	64%
SMC 6	COV (Guidance)	16	11	18	-	60%
SMC 7	COV (Location Requirement)	33	4	4	4	90%
SMC 8	COV (Income Approach)	17	6	19	3	55%
SMC 9	Fair Value	35	7	3	-	93%
SMC 10	Cost of Fulfillment	28	5	2	10	94%
SMC 11	Disclosure (Location)	32	2	6	5	85%
SMC 12	Disclosure (Generic in ED 77)	30	-	8	7	79%
SMC 13	Disclosure (COV Consistency)	33	1	5	6	87%
SMC 14	Disclosure (Initial vs Ongoing)	35	1	1	8	97%
SMC 15	Disclosure (FV Hierarchy)	36	0	4	5	90%

Specific Matter for Comment 1—(paragraphs 7–16):

Do you agree an item that qualifies for recognition shall be initially measured at its transaction price, unless:

- That transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes; or
- Otherwise required or permitted by another IPSAS?

If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

Specific Matter for Comment 2—(paragraph 17):

Do you agree after initial measurement, unless otherwise required by the relevant IPSAS, an accounting policy choice is made to measure the item at historical cost or at its current value? This accounting policy choice is reflected through the selection of the measurement model.

If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

Specific Matter for Comment 3—Appendix A (paragraphs A1–A6):

In response to constituents' comment letters on the Consultation Paper, *Measurement*, guidance on historical cost has been developed that is generic in nature (Appendix A: Historical Cost). Do you agree the guidance is appropriate for application by public sector entities?

If not, please provide your reasons, stating what guidance should be added or removed, and why.

Specific Matter for Comment 4—Appendix A (paragraphs A1–A6):

Do you agree no measurement techniques are required when applying the historical cost measurement basis in subsequent measurement?

If not, please provide your reasons, stating which measurement techniques are applicable to the subsequent measurement of an asset or liability measured at historical cost, and why.

Specific Matter for Comment 5—(paragraph 6):

Do you agree current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date?

If not, please provide your reasons, stating clearly what principles are inappropriate in application for the public sector, and why.

The Exposure Draft includes an Alternative View on current operational value.

Specific Matter for Comment 6—Appendix B (paragraphs B1–B41):

Do you agree the proposed definition of current operational value and the accompanying guidance is appropriate for public sector entities (Appendix B: Current Operational Value)?

If not, please provide your reasons, stating clearly what definition and guidance is more appropriate, and why.

Specific Matter for Comment 7—Appendix B (paragraphs B6–B7):

Do you agree if there is no locational requirement for the asset, the asset's current operational value should assume that the notional replacement will be situated in the same location as the current asset is situated or used?

If not, please provide your reasons, stating clearly why the land should be measured at a different value.

Specific Matter for Comment 8—(paragraphs B38–B39):

Do you agree the income approach should be available to estimate the value of an asset measured using the current operational value measurement basis?

If not, please provide your reasons, stating clearly why the income approach is not applicable for measuring current operational value.

The Exposure Draft includes an Alternative View on current operational value.

Specific Matter for Comment 9—Appendix C (paragraphs C1–C89):

In response to constituents' comment letters on the Consultation Paper, *Measurement*, guidance on fair value has been aligned with IFRS 13, *Fair Value Measurement* (Appendix C: Fair Value). Do you agree the guidance is appropriate for application by public sector entities?

If not, please provide your reasons, stating what guidance should be added or removed, and why.

Specific Matter for Comment 10—Appendix D (paragraphs D1–D48):

In response to constituents' comment letters on the Consultation Paper, *Measurement*, guidance on cost of fulfillment has been aligned with existing principles in the Conceptual Framework and throughout IPSAS (Appendix D: Cost of Fulfillment). Do you agree the guidance is appropriate for application by public sector entities?

If not, please provide your reasons, stating what guidance should be added or removed, and why.

Specific Matter for Comment 11:

Do you agree measurement disclosure requirements should be included in the IPSAS to which the asset or liability pertains and not in ED 77?

If not, please provide your reasons, stating clearly where the measurement disclosure requirements should be included, and why.

Specific Matter for Comment 12:

Are there any measurement disclosure requirements that apply across IPSAS that should be included in ED, *Measurement*?

If yes, please provide your reasons, stating clearly what the disclosures are, and why.

Specific Matter for Comment 13:

Do you agree current value model disclosure requirements should be applied consistently across IPSAS? For example, the same disclosure requirements should apply to inventory and property, plant, and equipment when measured at fair value.

If not, please provide your reasons, stating clearly which IPSAS require more or fewer measurement disclosures, and why.

Specific Matter for Comment 14:

Do you agree with the proposal disclosure requirements for items remeasured under the current value model at each reporting date should be more detailed as compared to disclosure requirements for items measured using the current value model at acquisition as proposed in Appendix E: Amendments to Other IPSAS.

If not, please provide your reasons, stating clearly why disclosure requirements should be consistent for recurring items and non-recurring items measured using the current value model.

Specific Matter for Comment 15:

Do you agree fair value disclosure requirements should include requirements to disclose inputs to the fair value hierarchy?

If not, please provide your reasons, stating clearly why disclosure requirements for inputs in the fair value hierarchy are unnecessary.

Supporting Documents 2–[DRAFT] IPSAS [X], *Measurement*

1. Guidance in [draft] IPSAS X, *Measurement* is based on the ED 77 issued in April 2021. Text has been updated to reflect:
 - (a) Staff recommendations proposed in this Agenda Item.
2. Changes from ED 77 are:

Type of Guidance	Key Topic	Change from ED 77
Core Text	Definitions Initial measurement Subsequent measurement Disclosures	<ul style="list-style-type: none"> - Clarified definition of historical cost - Re-ordered CoF paragraphs for internal consistency - Added generic disclosures
Historical Cost (Appendix A)	Application of measurement basis principles – Estimating measurement techniques when applied to characteristics of measurement basis	- Clarified definition of historical cost
Current Operational Value (Appendix B)		No changes – June 2022
Fair Value (Appendix C)		No changes
Cost of Fulfillment (Appendix D)		No changes
Basis for Conclusions	Explanation of IPSASB decisions	<ul style="list-style-type: none"> - Explained accounting policy choice for measurement model - Explained there are no measurement techniques required for historical cost - Explained difference between Cost of Fulfillment and Fulfillment Value

Implementation Guidance	Clarifications of core principles	Added IGs to clarify: <ul style="list-style-type: none">- Explained accounting policy choice for measurement model- Explained difference between historical cost and transaction price
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REVIEW INSTRUCTIONS

3. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing [DRAFT] IPSAS [X], *Measurement*:
- (a) Text changes resulting from staff recommendations are tracked;
 - (b) New paragraphs are numbered by adding lettering. This is only for development purposes to maintain paragraph numbering consistency with ED 77 for tracking purposes.
 - (i) If a paragraph was added after paragraph 50, it is numbered 50A.
 - (c) Deleted paragraphs are marked [Deleted]. This is only for development purposes to maintain paragraph numbering consistency with ED 77 for tracking purposes.

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>Objective</p> <p>1. The objective of this [draft] Standard is to define measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities. The [draft] Standard identifies approaches under those measurement bases to be applied through individual IPSAS to achieve the objectives of financial reporting.</p>	CP, <i>Measurement</i>
	<p>Scope</p> <p>2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] IPSAS [X], <i>Measurement</i> in measuring assets and liabilities.</p>	CP, <i>Measurement</i>
	<p>3. Except as specified in paragraph 4, this [draft] Standard applies when another IPSAS requires or permits:</p> <ul style="list-style-type: none"> a. One or more of the measurement bases defined in this [draft] Standard or disclosures about one or more of these measurement bases; and b. Measurements that are based on one or more of the measurement bases (e.g., fair value less costs of disposal) or disclosures about those measurements. 	CP, <i>Measurement</i>
	<p>4. The measurement requirements of this [draft] Standard do not apply to the following:</p> <ul style="list-style-type: none"> a. Leasing transactions accounted for in accordance with IPSAS 13, <i>Leases</i>; b. Transactions accounted for in accordance with IPSAS 32, <i>Service Concession Arrangements</i>: Grantor, and c. Measurements that have some similarities to the measurement bases in this [draft] Standard but are not those measurement bases, such as net realizable value in IPSAS 12, <i>Inventories</i> or value in use in IPSAS 21 <i>Impairment of Non-Cash Generating Assets</i> and IPSAS 26, <i>Impairment of Cash- Generating Assets</i> (but this [draft] Standard is applied in measuring fair value as required in IPSAS 21 and 26). 	CP, <i>Measurement</i>
	<p>5. The measurement requirements described in this [draft] Standard apply to both initial and subsequent measurement.</p>	CP, <i>Measurement</i>
	<p>Definitions</p>	
	<p>6. The following terms are used in this [draft] Standard with the meanings specified:</p>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<u>Active market</u> is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.	IFRS 13 Appendix A
		-
	<u>Cost approach</u> is a measurement technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).	IFRS 13 Appendix A
	<u>Cost of fulfillment</u> is the cost that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.	Paragraph 7.74, 2014 IPSASB Conceptual Framework
	<u>Current operational value</u> is the value of an asset used to achieve the entity's service delivery objectives at the measurement date.	-
	<u>Entry price</u> is the price paid to acquire an asset or received to assume a liability in an exchange transaction.	IFRS 13 Appendix A
	<u>Exit price</u> is the price received to sell an asset or paid to transfer a liability.	IFRS 13 Appendix A
	<u>Expected cash flow</u> is the probability-weighted average (i.e., mean of the distribution) of possible future cash flows.	IFRS 13 Appendix A
	<u>Fair value</u> is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	IFRS 13 Appendix A
	<u>Highest and best use</u> is the use of a non-financial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (e.g., an operation) within which the asset would be used.	IFRS 13 Appendix A
Paragraph 6 updated in March 2022. See agenda item 9.2.6. Update clarifies difference between HC and transaction price. See corresponding change to A2.	<u>Historical cost</u> is the original nominal monetary value of an asset consideration given to acquire, construct or develop an asset, or the consideration received to assume an obligation, at the time the asset is acquired, constructed or developed, or the a liability is incurred.	-
	<u>Income approach</u> is a measurement technique that converts future amounts (e.g., cash flows or revenue and expenses) to a single current (i.e., discounted) amount.	Based on IFRS 13 Appendix A

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p><u>Inputs</u> are the assumptions used when pricing the asset or liability, including assumptions about risk, such as the following:</p> <ul style="list-style-type: none"> (a) The risk inherent in a particular measurement technique used to estimate a measurement in accordance with a measurement basis (such as a pricing model); and (b) The risk inherent in the inputs to the measurement technique. <p>Inputs may be observable or unobservable.</p>	Based on IFRS 13 Appendix A
	<p><u>Level 1 inputs</u> are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.</p>	IFRS 13 Appendix A
	<p><u>Level 2 inputs</u> are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.</p>	IFRS 13 Appendix A
	<p><u>Level 3 inputs</u> are unobservable inputs for the asset or liability.</p>	IFRS 13 Appendix A
	<p><u>Market approach</u> is a measurement technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities.</p>	IFRS 13 Appendix A
	<p><u>Market participants</u> are buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:</p> <ul style="list-style-type: none"> (a) They are independent of each other, i.e., they are not related parties as defined in IPSAS 20, <i>Related Party Disclosures</i>, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. (b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. (c) They are able to enter into a transaction for the asset or liability. (d) They are willing to enter into a transaction for the asset or liability, i.e., they are motivated but not forced or otherwise compelled to do so. 	IFRS 13 Appendix A

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<u>Market-corroborated inputs</u> are inputs that are derived principally from or corroborated by observable market data by correlation or other means.	-
	<u>Most advantageous market</u> is the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.	IFRS 13 Appendix A
	<u>Non-performance risk</u> is the risk that an entity will not fulfill an obligation. Non-performance risk includes, but may not be limited to, the entity's own credit risk.	IFRS 13 Appendix A
	<u>Observable inputs</u> are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.	IFRS 13 Appendix A
	<u>Orderly transaction</u> is a transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale).	IFRS 13 Appendix A
	<u>Principal market</u> is the market with the greatest volume and level of activity for the asset or liability.	IFRS 13 Appendix A
	<u>Risk premium</u> is the compensation sought by risk-averse market participants for bearing the uncertainty inherent in the cash flows of an asset or a liability. Also referred to as a 'risk adjustment'.	IFRS 13 Appendix A
Paragraph 6 updated in March 2022. See agenda item 9.2.8. Update clarifies transaction price	<u>Transaction costs</u> are incremental costs that are directly attributable to the acquisition, <u>construction, development, issue or disposal</u> of an asset or liability and would not have been incurred if the entity had not acquired, issued or disposed of the asset or liability.	Developed for CP
Paragraph 6 updated in March 2022. See agenda item 9.2.8. Update clarifies transaction price	<u>Transaction price</u> is the price paid to acquire, <u>construct, or develop</u> an asset or received to assume a liability.	-
	<u>Transport costs</u> are the costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.	IFRS 13 Appendix A

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	Unit of account is the level at which an asset or a liability is aggregated or disaggregated in an IPSAS for recognition purposes.	IFRS 13 Appendix A
	Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.	IFRS 13 Appendix A
	Terms defined in other IPSAS are used in this [draft] Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published separately.	-
	Measurement	
	Initial Measurement	
	<p>7. On the date an item qualifies for recognition, it shall be initially measured at its transaction price, unless:</p> <ul style="list-style-type: none"> a. That transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes (see paragraphs 10–13); or b. Otherwise required or permitted by another IPSAS. <p>When applying accrual basis IPSAS for the first time, initial measurement in an opening statement of financial position at the date of adoption of IPSAS should be carried out in accordance with IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>.</p>	IPSASB CF 7.2
	<i>Transactions in an Orderly Market</i>	
	8. When an asset is acquired or a liability is assumed in an orderly market, the transaction price reflects the initial value of the asset or liability negotiated between market participants at the measurement date under current market conditions.	Based on C21 of FV AG for consistency
	9. Where a transaction price exists, it is presumed to present relevant information on the date the transaction occurred. When determining whether the transaction price presents relevant information about the asset or liability, an entity shall consider factors specific to the transaction and to the asset or liability.	-
	<i>Transactions not Undertaken in an Orderly Market</i>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>10. When an asset is acquired, or a liability is assumed, as a result of an event that is not a transaction in an orderly market:</p> <ul style="list-style-type: none"> a. It may not be possible to observe a transaction price; b. The transaction price may not faithfully present relevant information about the asset or liability; or c. The transaction price may be zero. <p>In some such cases, one or more current value measurement techniques are used to estimate the value of the asset or liability as a deemed cost on initial measurement. Current value measurement techniques are described in paragraphs 36-45.</p>	Based on IASB's CF 6.6
	<p>11. Any difference between deemed cost and any consideration given or received would be recognized as revenue or expenses, unless otherwise required in the relevant IPSAS.</p>	Based on IASB's CF 6.6 and 6.81
	<p>12. Circumstances where a transaction price may not be observable or may not faithfully present relevant information may include:</p> <ul style="list-style-type: none"> a. The transaction price includes a concessionary element; b. An asset is transferred to the entity free of charge by a government or donated to the entity by another party; c. A liability might be imposed by legislation or regulation; or d. A liability to pay compensation or a penalty arises from an act of wrongdoing or breach of contract; e. The transaction price is affected by relationships between the parties, or by financial distress or other duress of one of the parties; and f. The transaction price information is not available on the date of adoption of IPSAS as defined in IPSAS 33, 	Based on IASB's CF 6.80
	<p>13. When assets are acquired, or liabilities assumed, as a result of an event that is not a transaction in an orderly market, all relevant aspects of the transaction or other event need to be identified and considered. For example, it may be necessary to recognize other assets, other liabilities, contributions from owners or distributions to owners to faithfully represent the substance of the effect of the transaction or other event on the entity's financial position and any related effect on the entity's financial performance.</p>	Based on IASB's CF 6.82
	Transaction Costs at Initial Measurement	
	<p>14. Transaction costs incurred in acquiring an asset or incurring a liability are a feature of the transaction in which the asset was acquired, or liability was incurred. The initial measurement of the</p>	Based on IASB's CF BC6.32 and BC6.33

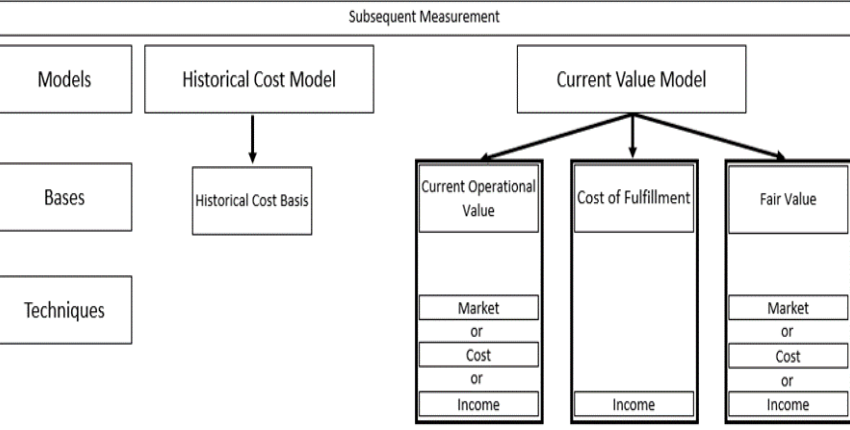
NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	asset or liability reflects those transaction costs as the entity could not have acquired the asset or liability without incurring those costs. Transaction costs that could be incurred in selling or disposing of the asset or in settling or transferring a liability are a feature of a possible future transaction. Unless explicitly required, possible transaction costs are not included because initial measurement reflects the costs of acquiring the asset or incurring the liability.	
	Transaction Occurring in Stages	
	15. The purchase of an asset may occur in stages or may be followed by further expenditures to adapt the asset for the entity's own use. Any expenditures incurred in bringing the asset to the state where it is ready for use will be included in the consideration identified as part of the asset's initial measurement.	
	Deferred Payments	
	16. Where the time value of money is material—for example, where the length of time before settlement falls due is significant— the amount of the future cash flows is discounted so that, at the time an asset or liability is first recognized, it represents the value of the amount received or paid. For example, the difference between the amount of the future cash flows and the present value of the asset or liability is amortized over the life of the asset or liability, so that the asset or liability is stated at the amount due to be received or the required payment when it falls due.	IPSASB's CF 7.72
	Subsequent Measurement	
	17. After initial measurement, unless otherwise required by the relevant IPSAS, an accounting policy choice is made to measure an asset or liability at historical cost or at its current value. This accounting policy choice is reflected through the selection of the measurement model.	
	Measurement Models	
	18. Assets and liabilities recognized in financial statements are quantified in historical terms or current terms. This requires the selection of a historical cost or current value measurement model. In selecting a measurement model, an entity shall consider the characteristics of the item, the measurement objective and the monetary information being presented.	Based on IASB's <i>Conceptual Framework</i> paragraphs 6.1
	Measurement Bases	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	19. A measurement basis provides information that achieves the qualitative characteristics, as described in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) and ensures the constraints on information in GPFRs are considered under the measurement model selected. Applying a measurement basis to an asset or liability creates a measure for that asset or liability and for related revenue and expenses. The selection of a measurement basis depends on the measurement model applied (see diagram after paragraph 41).	<i>Based on IASB's Conceptual Framework paragraphs 6.1</i>
	20. When another IPSAS establishes measurement requirements with reference to one or more of the measurement bases below, an entity shall apply the measurement basis in accordance with the requirements and related appendices in this [draft] Standard: a. Historical cost (Appendix A: Historical cost); b. Current operational value (Appendix B: Current operational value); c. Fair value (Appendix C: Fair value); and d. Cost of fulfillment (Appendix D: Cost of fulfillment).	-
	<i>Historical Cost</i>	
	21. Historical cost is an entry, entity-specific value. Historical cost provides measures 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.	<i>Based on IASB's CF 6.4 and IPSASB's CF 7.14</i>
	22. Following initial measurement, the value of an asset or liability is not remeasured to reflect current conditions or increases in the value of the asset or decreases in the value of the liability.	<i>IPSASB CF 7.14</i>
	<i>Current Operational Value</i>	
	23. Current operational value is also an entry, entity-specific value. It provides monetary information about assets, and related revenues and expenses, using information updated to reflect conditions at the measurement date. Current operational value therefore reflects changes in the values of assets since the previous measurement date. Similar to fair value and cost of fulfillment, current operational value is not dependent, even in part, on the transaction or event that gave rise to the asset.	<i>Based on FV para. 26 for consistency (CC is entity specific / FV is from market participants perspective)</i>
	24. In some cases, current operational value can be determined directly by observing prices in an active market. In other cases, it is	<i>Based on FV para. 28 for</i>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	determined indirectly. For example, if prices are available for a similar asset, the current operational value of the entity's asset might need to be estimated by adjusting the current price of the similar asset to reflect the unique aspects of the entity's asset in its current use.	<i>consistency (CC is entity specific / FV is from market participants perspective)</i>
	<p>25. Current operational value differs from fair value because it:</p> <ul style="list-style-type: none"> a. Is explicitly an entry value and includes all the costs that would necessarily be incurred when obtaining the asset; b. Reflects the value of an asset in its current use, rather than the asset's highest and best use (for example, a building used as a hospital is measured as a hospital); and c. Is entity-specific and therefore reflects the economic position of the entity, rather than the position prevailing in a hypothetical market (for example, the current operational value of a vehicle is less for an entity that usually acquires a large number of vehicles in a single transaction and is regularly able to negotiate discounts than for an entity that purchases vehicles individually). 	IPSASB CF 7.28 (IED.22)
	<u>Cost of Fulfillment</u>	
<p>Paragraph 26 updated in March 2022. See agenda item 9.2.8.</p> <p>Editorial to order measurement bases consistently with Appendices and diagram</p>	<p><u>26. Cost of fulfillment is an exit, entity-specific cost that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner. Cost of fulfillment is the present value of the cash, or other economic resources, that the entity expects to be obliged to transfer as it fulfils a liability. Those amounts of cash or other economic resources include not only the amounts to be explicitly transferred, but also the amounts that the entity expects to be obliged to transfer to other parties to enable it to fulfill the liability.</u></p>	Based on IASB's CF 6.17
<p>Paragraph 27 updated in March 2022. See agenda item 9.2.8.</p> <p>Editorial to order measurement bases consistently with Appendices and diagram</p>	<p><u>27. Cost of fulfillment cannot be observed directly and is determined using cash-flow-based measurement techniques. The cost of fulfillment reflects entity-specific assumptions rather than assumptions used by market participants. In practice, there may be little difference between the assumptions that a market participant would use and those an entity itself uses.</u></p>	Based IASB's CF 6.19 and 6.20
<p>Paragraph 28 updated in March 2022. See agenda item 9.2.8.</p> <p>Editorial to order measurement bases consistently</p>	<p><u>28. The cost of fulfillment reflects the same factors as those reflected in fair value measurement, but from an entity-specific perspective, rather than from a market-participant perspective.</u></p>	Based on IASB's CF 6.20

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
<i>with Appendices and diagram</i>		
	<i>Fair Value</i>	
	26-29. Fair value measurement is an exit, market-based measurement that provides monetary information about assets, liabilities and related revenues and expenses, using information updated to reflect conditions at the measurement date. Fair value therefore reflects changes in the values of assets and liabilities since the previous measurement date. The fair value of an asset or liability is not dependent, even in part, on the transaction or event that gave rise to the asset or liability.	<i>Based on IASB's CF 6.10</i>
	27-30. Fair value reflects the perspective of market participants. The asset or liability is measured using the same assumptions that market participants would use when pricing the asset or liability if those market participants act in their economic best interest.	<i>Based on IASB's CF 6.13</i>
	28-31. In some cases, fair value can be determined directly by observing prices in an active market. In other cases, it is determined indirectly.	<i>Based on IASB's CF 6.14</i>
	<i>Cost of Fulfillment</i>	
Updated in March 2022. See agenda item 9.2.8. Editorial to order measurement bases consistently with Appendices and diagram	29. Cost of fulfillment is an exit, entity-specific cost that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner. Cost of fulfillment is the present value of the cash, or other economic resources, that the entity expects to be obliged to transfer as it fulfils a liability. Those amounts of cash or other economic resources include not only the amounts to be explicitly transferred, but also the amounts that the entity expects to be obliged to transfer to other parties to enable it to fulfill the liability.	<i>Based on IASB's CF 6.17</i>
Updated in March 2022. See agenda item 9.2.8. Editorial to order measurement bases consistently with Appendices and diagram	30. Cost of fulfillment cannot be observed directly and is determined using cash-flow-based measurement techniques. The cost of fulfillment reflects entity-specific assumptions rather than assumptions used by market participants. In practice, there may be little difference between the assumptions that a market participant would use and those an entity itself uses.	<i>Based IASB's CF 6.19 and 6.20</i>
Updated in March 2022. See agenda item 9.2.8. Editorial to order measurement bases consistently with Appendices and diagram	31. The cost of fulfillment reflects the same factors as those reflected in fair value measurement, but from an entity-specific perspective, rather than from a market-participant perspective.	<i>Based on IASB's CF 6.20</i>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	Characteristics of the Asset or Liability	
	<p>32. A measurement basis is applied to a particular asset or liability. Therefore, when applying the measurement basis, an entity shall take into account the characteristics of the asset or liability at the measurement date (for example, for fair value measurement the characteristics are considered if market participants would take those characteristics into account when pricing the asset or liability). Such characteristics include, for example, the following:</p> <ul style="list-style-type: none"> a. The condition and location of the asset; and b. Restrictions, if any, on the sale or use of the asset. 	Based on IFRS 13.11
	<p>33. The effect on the measurement arising from a particular characteristic will differ depending on how that characteristic would be taken into account by the entity, for entity-specific measurements, and by market participants, for market-based measurements.</p>	Based on IFRS 13.12
	<p>34. The asset or liability measured might be either of the following:</p> <ul style="list-style-type: none"> a. A stand-alone asset or liability (e.g., a financial instrument or a non-financial asset); or b. A group of assets, a group of liabilities or a group of assets and liabilities (e.g., a cash-generating unit or an operation). 	Based on IFRS 13.13
	<p>35. Whether the asset or liability is a stand-alone asset or liability, a group of assets, a group of liabilities or a group of assets and liabilities for recognition or disclosure purposes depends on its <i>unit of account</i>. The unit of account for the asset or liability shall be determined in accordance with the IPSAS that requires or permits the application of one or more measurement bases identified in this [draft] Standard, except where specified differently in this [draft] Standard.</p>	Based on IFRS 13.14
	Measurement Techniques	
	<p>36. An entity shall use measurement techniques that are appropriate in the circumstances and for which sufficient data are available to estimate the measurement basis or determine deemed cost.</p>	IFRS 13.61

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>The following diagram sets out the measurement hierarchy for subsequent measurement based on ED 76, Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements. This diagram illustrates the three levels of measurement and the relationships between them.</p>  <pre> graph TD SM[Subsequent Measurement] --> Models[Models] SM --> Bases[Bases] SM --> Techniques[Techniques] Models --> HCM[Historical Cost Model] Models --> CVM[Current Value Model] Bases --> HCB[Historical Cost Basis] Bases --> COV[Current Operational Value] Bases --> CF[Cost of Fulfillment] Bases --> FV[Fair Value] Techniques --> COV Techniques --> CF Techniques --> FV COV --> COV_T["Market or Cost or Income"] CF --> CF_T["Income"] FV --> FV_T["Market or Cost or Income"] </pre>	
	<p>37. A measurement technique is applied to estimate the amount at which an asset or liability is recognized under the selected measurement basis or in determining deemed cost (see paragraph 10). Such techniques are not measurement bases. When using such a technique, it is necessary for the technique to reflect the attributes applicable to that measurement basis. For example, if the measurement basis is fair value, the applicable attributes are those described in paragraphs 26-28.</p>	Based on IASB CF 6.91
	<p>38. Three widely used measurement techniques are the market approach, the cost approach and the income approach. The main aspects of those approaches are summarized in paragraphs 42–45. An entity shall use measurement techniques consistent with one or more of those approaches to measure the asset or liability under the selected measurement basis.</p>	IFRS 13.62
	<p>39. In some cases, a single measurement technique will be appropriate (e.g., when valuing an asset or a liability using quoted prices in an active market for identical assets or liabilities). In other cases, multiple measurement techniques will be appropriate (e.g., that might be the case when valuing a cash-generating unit). If multiple measurement techniques are used to measure the asset or liability under the selected measurement basis, the results shall be evaluated considering the reasonableness of the range of values indicated by those results.</p>	IFRS 13.63

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>40. Measurement techniques shall be applied consistently. However, a change in a measurement technique or its application (e.g., a change in its weighting when multiple measurement techniques are used or a change in an adjustment applied to a measurement technique) is appropriate if the change results in a measurement that is equally or more representative of the measurement basis in the circumstances. That might be the case if, for example, any of the following events take place:</p> <ul style="list-style-type: none"> a. New markets develop; b. New information becomes available; c. Information previously used is no longer available; d. Measurement techniques improve; or e. Market conditions change. 	<p>IFRS 13.65</p>
	<p>41. Revisions resulting from a change in the measurement technique or its application shall be accounted for as a change in accounting estimate in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. However, the disclosures in IPSAS 3 for a change in accounting estimate are not required for revisions resulting from a change in a measurement technique or its application.</p>	<p>IFRS 13.66</p>
	<p>Market Approach</p> <p>42. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities.</p>	<p>IFRS 13.B5</p>
	<p><i>Cost Approach</i></p> <p>43. The cost approach reflects the amount that would be required currently to replace the service provided by an asset (often referred to as current replacement cost) through the acquisition or construction of a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and is broader than depreciation for financial reporting purposes.</p>	<p>Paragraphs 43 is IFRS 13.B8 and B9</p>
	<p>44. The cost of a substitute asset of comparable utility is calculated as the cost of a modern equivalent asset—that is, a notional asset providing an equivalent service as the existing asset while using the latest technology available.</p>	<p>-</p>
	<p><i>Income Approach</i></p>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	45. The income approach converts future amounts (e.g., cash flows or revenue and expenses) to a single current (i.e., discounted) amount. When the income approach is used, the estimate of the measurement basis reflects current expectations about those future amounts.	IFRS 13.B10
	Depreciation, Impairment and Other Adjustments	
	46. Depreciation and impairment are applicable to measurement bases in the historical cost model and the current value model. Neither depreciation nor impairment are measurement bases or measurement techniques in their own right. They are methods to reflect the consumption of the asset or loss of the future economic benefits or service potential of the asset.	-
	47. Under both the historical cost model and the current value model, an asset is updated over time to depict: <ul style="list-style-type: none"> (a) The consumption of part or all of the resource that constitutes the asset (depreciation or amortization); (b) Payments received that extinguish part or all of the asset; (c) The effect of events that cause part or all of the asset to no longer be recoverable (impairment); and (d) Accrual of interest to reflect any financing component of the asset. 	Based on IASB's CF 6.7
	48. Under both the historical cost model and the current value model, a liability is updated over time to depict: <ul style="list-style-type: none"> (a) Fulfillment of part or all of the liability, for example, by making payments that extinguish part or all of the liability or by satisfying an obligation to deliver goods or services; (b) The effect of events that increase the value of the obligation to transfer the resources needed to fulfill the liability to such an extent that the liability becomes onerous. A liability is onerous if the carrying amount is no longer sufficient to depict the obligation to fulfill the liability; and (c) Accrual of interest to reflect any financing component of the liability. 	Based on IASB's CF 6.8
	Transaction Costs in Subsequent Measurement	
	49. Transaction costs are incremental costs that would not have been incurred if the entity had not acquired, issued or disposed of the asset or liability.	CP, <i>Measurement</i>
	50. Incremental costs are a direct result of the transaction. Transaction costs are an essential feature of the transaction, and they would not have been incurred had the transaction not occurred. For example, while costs to operate an asset after it has been acquired are incremental costs because they would not be incurred if the	CP, <i>Measurement</i>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	entity had not acquired the asset, these costs are not transaction costs, as they are not a direct result of the transaction.	
	51. Costs attributable to the acquisition of an asset relate specifically to costs of transfer of control. Costs incurred prior to transfer (e.g., costs to negotiate the transaction), or costs incurred subsequent to the transfer, (e.g., borrowing costs), are excluded from the definition of transaction costs.	CP, <i>Measurement</i>
	52. Including transaction costs in the measurement of an asset or liability is dependent on the objective of measurement. Whether an entity is recognizing an asset or liability using an entry-based measurement basis or an exit-based measurement basis impacts whether those transaction costs are included in or excluded from the item's measurement.	CP, <i>Measurement</i>
	53. Transaction costs can arise when an asset is acquired, constructed, or developed or a liability is incurred, when an asset is sold or disposed of or a liability is settled or transferred. As transaction costs incurred in acquiring, constructing, or developing an asset or incurring a liability are a feature of the transaction in which the asset was acquired, constructed or developed, or the liability was incurred, such transaction costs incurred in entering into a transaction are included in entry-based measurement bases. Transaction costs that would be incurred in selling or disposing of an asset or in settling or transferring a liability are a future or a possible future transaction. As such, transaction costs that would be incurred in exiting a transaction are included in exit-based measurement bases when the measurement basis is entity-specific.	CP, <i>Measurement</i>
	<u>Disclosure</u>	
Paragraph 53A updated in March 2022. See agenda item 9.2.5. Consolidates generic measurement disclosures in this Standard	<u>53A. An entity shall disclose information that helps users of its financial statements assess both of the following:</u> <u>(a) For assets and liabilities that are measured at current operational value or fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and</u> <u>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</u>	IFRS 13.91
Paragraph 53B updated in March 2022. See agenda item 9.2.5.	<u>53B. To meet the objectives in paragraph 53A, an entity shall consider all the following:</u>	IFRS 13.92

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
Consolidates generic measurement disclosures in this Standard	<p><u>(a) The level of detail necessary to satisfy the disclosure requirements;</u></p> <p><u>(b) How much emphasis to place on each of the various requirements;</u></p> <p><u>(c) How much aggregation or disaggregation to undertake; and</u></p> <p><u>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</u></p> <p><u>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 53A, an entity shall disclose additional information necessary to meet those objectives.</u></p>	
	Effective Date and Transition	
	Effective Date	
	54. An entity shall apply this [draft] Standard for annual periods beginning on or after [MM, DD, YYYY]. Earlier application is permitted. If an entity applies this [draft] Standard earlier, it must disclose that fact.	-
	55. When an entity adopts the accrual basis IPSAS of accounting as defined in IPSAS 33 for financial reporting purposes subsequent to this effective date, this [draft] Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of accrual basis IPSAS.	-
	Transition	
	56. This [draft] Standard shall be applied prospectively as of the beginning of the annual period in which it is initially applied.	IFRS 13.C2

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	Appendix A: Historical Cost <i>This Appendix is an integral part of [draft] IPSAS [X] (ED 77).</i>	
	Measurement	
	<p>A1. The objective of historical cost measurement is to 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 deemed cost, where applicable) or other event that gave rise to them.</p>	Based on IASB's CF 6.4
<p>Paragraph A2 updated in March 2022. See agenda item 9.2.6.</p> <p>Update clarifies difference between HC and transaction price. See corresponding change to para. 6.</p>	<p>A2. Historical cost is:</p> <ul style="list-style-type: none"> (a) The consideration given to acquire, construct and/or develop an asset; (b) The consideration received to incur or take on a liability; or (c) <u>For transactions not undertaken in an orderly market (see paragraphs 10 to 13 of the [draft] standard), the deemed cost of the asset or liability or other event that gave rise to it.</u> <p>Historical cost is the <u>original nominal monetary value of an asset when it is acquired, constructed or developed, or a liability when it is incurred</u>cash or cash equivalents or the value of the other consideration given or received, at the time, or period over which, the asset is acquired, constructed or developed or the liability is incurred.</p>	IPSASB's CF 7.13
	Initial Measurement	
	<p>A3. Initial measurement is determined in accordance with paragraphs 7-16 of this [draft] Standard.</p>	-
	Subsequent Measurement	
	<p>A4. After initial measurement, the gross carrying amount of an asset or liability measured at historical cost remains unaffected by changes in the underlying current market conditions, unless those changes trigger an impairment. For example, the amount at which an item of property, plant, and equipment is recorded is not updated to reflect an increase in the current market price of the item after it has been acquired, constructed or developed.</p>	-
	<p>A5. However, as with current value measurements, the carrying amount of an asset or liability measured at historical cost is</p>	-

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	updated to reflect changes to the item as noted in paragraphs 47 and 48.	
	Amortized Cost	Based on IASB's CF 6.9
	A6. The historical cost measurement basis is applied to financial instruments by measuring the instruments at amortized cost in accordance with paragraph AG160 of IPSAS 41, <i>Financial Instruments</i> . Amortized cost reflects estimates of future cash flows, discounted at a rate determined at initial measurement. The amortized cost of a financial asset or financial liability is updated over time to depict subsequent changes, such as the accrual of interest, the impairment of a financial asset or payments.	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	Appendix B: Current Operational Value <i>This Appendix is an integral part of [draft] IPSAS [X] (ED 77).</i>	
	Measurement	
	<p>B1. The objective of a current operational value measurement is to estimate the value of a non-financial asset in achieving the entity's service delivery objectives at the measurement date. A current operational value measurement requires an entity to determine all of the following:</p> <ul style="list-style-type: none"> (a) The asset that is the subject of the measurement (consistent with its unit of account). (b) The current use of the asset by the entity. (c) The measurement technique(s) appropriate for estimating the entry price of the asset based on its current use, considering the availability of data with which to develop inputs that represent the assumptions that are specific to the entity. 	<p><i>Based on C1 of FV AG for consistency (COV is entity specific / FV is from market participants perspective)</i></p> <p><i>Includes aspects of D1 of deleted RC AG.</i></p>
	<p>B2. Current operational value measures the value, to the entity of an asset, held for its operational capacity in its current use.</p> <ul style="list-style-type: none"> (a) In the statement of financial position, current operational value reflects the amount an entity would incur at the measurement date to acquire its existing assets to be able to continue to achieve its present service delivery objectives. (b) In the statement of financial performance, current operational value reflects the value of the assets consumed in providing the service at the prevailing prices. This differs from historical cost which reflects consumption of the assets in terms of the prices that prevailed when the assets were acquired and initially recognized. 	-
	Service Delivery Objectives	
	<p>B3. An asset supports an entity in achieving its service delivery objectives in its current use. 'Current use' is the current way an asset or group of assets is used. Current use generally reflects the policy objectives of the entity operating the asset. For example, a Ministry of Health is responsible for the wellbeing of citizens. Assets such as buildings are used as hospitals to achieve the policy objective rather than for commercial purposes.</p>	<p><i>Based on IVS 150.1</i></p> <p><i>Based on D14 of deleted RC AG</i></p>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>B4. Measuring the current use of an asset disregards potential alternative uses and any other characteristics of the asset that could maximize its market value. For example, a building operated as a school, currently used as is a school. Alternative uses, such as the operation of the building as an office block held for rental at market rates are not considered. The current use may be, but is not necessarily, the highest and best use.</p>	Based on IVS 150.1
	The Value of an Asset	
	<p>B5. Current operational value measures the value of an asset, or group of assets, used in supporting the achievement of an entity's present service delivery objectives. The following key aspects affect the measurement of an asset's current operational value :</p> <ul style="list-style-type: none"> (a) Location of the asset; (b) Entity-specific value; (c) Surplus capacity; (d) Restrictions; and (e) The least costly manner to achieve its service delivery objectives. 	
	The Location of the Asset	
	<p>B6. The asset's current operational value assumes that the entity will continue to meet its service delivery objectives from the same location in which the asset is currently situated or used.</p>	-
	<p>B7. The current operational value of a building reflects the value of the building in its current location. For example, a hospital operating in a city center that could now be situated in the suburbs, because of the migration of the population, is measured based on the value of the hospital in its current location (e.g., if the cost approach is applied, construction costs, permits, regulations, etc. are based on costs incurred at the current location).</p>	-
	Entity-Specific Value	
	<p>B8. An entity shall measure the current operational value of an asset using the assumptions from the entity's perspective, assuming that entity acts in accordance with its policy objectives.</p>	Based on C9 of FV AG for consistency

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	B9. As an asset's current operational value represents an entry price. Any transaction costs that would be incurred in obtaining the asset are included in the current operational value measurement.	<i>Based on D27 of deleted RC AG</i>
	Surplus Capacity	
	B10. Surplus capacity exists when an asset is not used to its maximum capacity. For example, an entity owns a building, but only utilizes 80% of the space available. The remaining 20% is left vacant.	-
	B11. Since current operational value reflects the value of the asset consumed in providing the service at the prevailing prices, current operational value assumes the asset is used to its full capacity, subject to any tests for impairment in accordance with IPSAS 21 or IPSAS 26.	-
	B12. For example, the current operational value of land shall reflect the value of the land actually held, in terms both of size and location. For example, if the services could be provided from a site measuring three hectares, but the actual site measures five hectares, the land is measured based on its actual size.	-
	Restrictions	
	B13. Many assets are subject to restrictions on their use or sale and/or the price an entity can charge users of the services provided by the asset, where the restriction is legally enforceable and cannot be revoked unilaterally by the entity holding the asset. Such legally enforceable restrictions may arise from legislation, planning authorities, ministerial decisions or instructions from governments or other authorities.	-
	B14. The current operational value of restricted assets shall be measured as follows: (a) If an equivalent restricted asset is obtainable in the orderly market at the measurement date for a price supported by observable market evidence, the asset is measured based on the available market evidence for the equivalent restricted asset, without any further reduction for the restrictions; or (b) If an equivalent restricted asset is not obtainable in an orderly market at the measurement date for a price supported by observable market evidence, the asset is	-

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	measured at the price of an equivalent unrestricted asset, without a reduction for the restrictions.	
	<p>B15. An equivalent asset – whether restricted or unrestricted – should be an asset that reflects the same characteristics as the asset being measured. For example, if the asset being measured is contaminated, an equivalent asset should be a contaminated asset. If the equivalent asset has a different service capacity from the asset being measured (although necessarily the same nature), market comparison techniques are used to adjust for the difference between the capacity of the entity’s asset being measured and the capacity of the equivalent reference asset. For example, a public sector entity could measure a school asset using the price of a recently constructed school in a neighboring district that has double the student capacity, with adjustments for the difference in capacity and any other difference in value if the reference asset provides different amenity. Despite differing capacities or amenity, the nearby school is an equivalent asset because it provides services of the same nature as the school being measured.</p>	-
	<p>B16. For the purposes of paragraph B14:</p> <ul style="list-style-type: none"> (a) An equivalent restricted asset is an asset that provides services of the same nature as those the entity’s asset provides in its current use and that is subject to the same restriction(s) on use, sale and/or pricing as the entity’s asset; and (b) An equivalent unrestricted asset is an asset that provides services of the same nature as those the entity’s asset provides in its current use but is not subject to all the restrictions imposed on the entity’s asset. When an equivalent restricted asset is not obtainable in an orderly market, but one or more equivalent assets subject to some of the restrictions applying to the entity’s asset are obtainable in an orderly market, the equivalent “unrestricted” asset used as a reference asset for measuring the entity’s restricted asset is that which most closely shares the restrictions to which the entity’s asset is subject. 	-
	<p>B17. The current operational value of a restricted asset measured under paragraph B14 by reference to observable market evidence for an equivalent asset is not reduced to reflect the restrictions. In respect of assets measured under paragraph</p>	-

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	B14(a), the market entry price of an equivalent restricted asset would already reflect any effects that the restrictions have on the current entry price of the service potential embodied in the asset. In respect of assets measured under paragraph B14 (b), the restrictions would not reduce the current entry price of the service potential embodied in the asset (the cost that the entity currently would need to incur) if the entity needs to purchase an unrestricted replacement asset to continue delivering services of the same nature and volume.	
	The Least Costly Manner	
	B18. A current operational value measure assumes the amount an entity would incur at the measurement date to be able to continue to achieve its service delivery objectives using its current assets is incurred in the least costly manner. For example, using a modern equivalent asset to estimate the current operational value requires identifying a notional asset using the latest technology available. However, the latest technology available does not imply the most advanced technology available, as this may not be the least costly manner to achieve the entity's service delivery objective.	<i>Based on D23 of deleted RC AG</i>
	B19. An entity need not undertake an exhaustive search of all acquisition methods to identify the least costly manner, but it shall consider all information that could reasonably have been expected to be obtained and taken into account.	<i>Based on D26 of deleted RC AG</i>
	B20. Current operational value reflects the amount an entity would incur to be able to continue to achieve its present service delivery objectives using its existing assets in the ordinary course of operations, and not the costs that might be incurred if an urgent necessity arose as a result of some unforeseeable event.	<i>Based on D26 of deleted RC AG</i>
	Initial Recognition	
	B21. If another IPSAS requires or permits an entity to measure an asset initially at current operational value and the transaction price differs from current operational value, the entity shall recognize the resulting gain or loss in surplus or deficit unless that IPSAS specifies otherwise.	<i>Based on IFRS 13.60</i>
	Measurement Techniques	
	B22. In some cases, current operational value cannot be determined directly by observing prices in an active market and must be determined indirectly by other means. For	<i>Based on IASB Conceptual Framework 6.22</i>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>example, if prices are available only for new assets, the current operational value of a used asset might need to be estimated by adjusting the current price of a new asset to reflect the current age and condition of the asset held by the entity.</p>	
	<p>B23. An entity uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure current operational value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.</p>	<p><i>Based on C27 of FV AG for consistency</i></p> <p><i>Based on D28 of deleted RC AG</i></p>
	<p>B24. The objective of using a measurement technique is to estimate the value of the asset used to achieve the entity's present service delivery objectives at the measurement date under current market conditions. Three widely used measurement techniques are the market approach, the cost approach and the income approach. The main aspects of those approaches are summarized in paragraphs B26–B40. An entity shall use measurement techniques consistent with one or more of those approaches to measure current operational value.</p>	<p><i>Based on C28 of FV AG for consistency</i></p>
	<p>B25. If multiple measurement techniques are used to measure current operational value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A current operational value measurement is the point within that range that is the most representative value of the asset in its current use in the circumstances.</p>	<p><i>Based on C29 of FV AG for consistency</i></p>
	<p><i>Market Approach</i></p>	
	<p>B26. Applying the market approach to measure the current operational value of an asset requires the existence of market transactions involving identical or comparable assets.</p>	<p><i>Based on C31 of FV AG for consistency</i></p>
	<p>B27. In many cases, the current operational value of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market. For example, the current operational value of a property or motor vehicles may be established by reference to the indexed price for the same or a similar asset based on a price for a previous period.</p>	<p><i>Based on D29 of deleted RC AG</i></p>
	<p>B28. Identical or similar assets include the same characteristics as the asset being measured. When measuring the current</p>	<p>-</p>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	operational value of an asset using the market approach an asset with an identical or similar remaining useful life, service potential, etc. must be identified. A similar asset may exist when an asset, comparable to that being valued, was recently acquired, constructed or developed.	
	<i>Cost Approach</i>	
	B29. Applying the cost approach to measure the current operational value of an asset involves considering the current replacement cost of the asset.	-
	B30. There are various examples in the public sector of assets whose specifications are such that there are few (if any) similar assets and a market approach to assessing a current operational value is unlikely to be appropriate.	Based on D15 of deleted RC AG
	B31. The current operational value of an asset will likely be established by reference to the amount required to replace the asset when no active market for similar or identical assets exists. The more specialized the asset, the less likely an active market exists and the more likely the cost approach will be applied. For example, the current operational value of a school may be established by reference to the market buying price of components used to produce the school.	Based on D29 of deleted RC AG
	Modern Equivalent Asset	
	B32. In general, the current operational value is estimated by calculating the cost of a modern equivalent asset—that is, a notional asset providing an equivalent service as the existing asset in its current use while using the latest technology available ¹ —and then making deductions for obsolescence and optimization.	Based on D30 of deleted RC AG
	B33. It may be challenging to calculate the cost of a modern equivalent asset when estimating the current operational value of a heritage asset, such as a historical building. This is because the value of the asset extends beyond the mere facsimile of the existing asset. Replacing the heritage asset with a modern equivalent does not represent the heritage value of the asset.	-
	B34. An entity should consider very carefully whether to use a reproduction cost (or restoration cost) to determine current	-

¹ The latest technology available is evaluated in the context of the current use of the asset and its replacement in the least costly manner (see paragraph B28). A modern equivalent asset need not use the most advanced technology available, but it must be based on the technological standard at the measurement date.

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>operational value. Such considerations should include whether there is a statutory or other requirement to replace an asset with what is essentially a replica and whether an exact reproduction is possible; if not, then a technique that assesses the replacement of a modern equivalent asset is likely to be more appropriate for financial reporting purposes.</p>	
	<p>B35. The cost of a modern equivalent asset will reflect the amount that would be incurred if the works were commissioned on the measurement date. However, there are factors that may result in the cost of a notional replacement being different from that of creating the actual asset:</p> <ul style="list-style-type: none"> a. <i>Phasing of work</i> – A large site may have been developed in phases. The cost of a modern equivalent asset would normally be based on a single-phase development, and this should be measured at the building cost at the measurement date. A single-phase development may still occur over an extended period of time. If the entity does not capitalize borrowing costs in accordance with IPSAS 5, <i>Borrowing Costs</i>, the entity should disregard any financing costs in measuring the modern equivalent asset. b. <i>Additional costs arising from extending an existing property</i> – These costs should be ignored, since the norm is that the valuation will be of a modern equivalent asset. c. <i>Contract variations</i> – Additional construction costs because of design or specification changes should be ignored. The modern equivalent asset being valued will have the same service capacity as the existing asset in its current use. d. <i>Planning changes</i> – Entities should consider whether planning consent would need to be obtained were the modern equivalent asset to be constructed on the actual site. 	<p><i>Based on D36-D42 of deleted RC AG</i></p>
	<p>B36. Deductions are made for the following forms of obsolescence:</p> <ul style="list-style-type: none"> (a) Physical Obsolescence. Physical obsolescence relates to any loss of service capacity due to the physical deterioration of the asset or its components resulting from its age and use. In assessing physical obsolescence, an entity should also consider any probable future routine, regular maintenance, as such maintenance may provide 	<p><i>Based on D31-D33 of deleted RC AG</i></p>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>insight into the asset or its components' useful lives and their rate of deterioration.</p> <p>(b) Functional Obsolescence. Functional obsolescence relates to any loss of service capacity resulting from inefficiencies in the asset that is being valued compared with -its modern equivalent – is the asset suitable for its current function? Functional obsolescence might occur because of advances or changes in the design and/or specification of the asset, or because of technological advances. For example, advances in health care technology might mean that the asset in use is outdated, or technological advances in educational material could mean that chalk/white boards would be replaced by digital screens. Such advances will need to be incorporated into the assessment of functional obsolescence.</p> <p>(c) Economic (or External) Obsolescence. Economic obsolescence relates to any loss of utility caused by economic or other factors outside the control of the entity.</p>	
	<p>B37. It may not always be practicable to separately identify adjustments for each form of obsolescence. In particular, it may be difficult to distinguish between functional obsolescence and economic (or external) obsolescence. In such cases the adjustments for obsolescence may need to be considered collectively.</p>	<p>Based on PBE IPSAS 17 AG5.</p>
	<p><i>Income Approach</i></p>	
	<p>B38. The income approach converts future amounts (e.g., cash flows or revenues and expenses) to a single current amount. This approach may be applicable to estimate the current operational value when:</p> <p>a. The use of multiple measurement techniques is appropriate (e.g., the use of a market approach and a present value technique). Present value (i.e., an application of the income approach) is a tool used to link future amounts (e.g., cash flows or values) to a present amount using a discount rate. When the timing of an outflow differs from the measurement date that amount should be discounted to its value at the measurement date when estimating current operational value. For example, when establishing the current operational value of a school by reference to the construction of a substitute asset, i.e., the cost approach, costs incurred over the construction period should be</p>	<p>-</p>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>discounted to the measurement date using the present value techniques outlined in the income approach. (see paragraphs B40–B41 which describe the use of present value techniques).</p> <p>b. Information is unavailable to support the application of the market or cost approach. Discounting the future cash inflows generated by an asset will generally not reflect the amount an entity would currently incur to acquire its assets to be able to continue to achieve its present service delivery objectives. However, in some cases the income approach may be the best approximation of current operational value when cost or market information is unavailable. For example, heritage items that are naturally occurring, such as cave paintings, or natural resources are unlikely to have cost or market information related to the specific asset. However, the asset may generate cash inflows through tourism, a royalty stream, etc. that may be relevant in determining the current operational value.</p>	
	<p>B39. Applying the income approach shall take into account the attributes of the asset. This includes:</p> <p>Section 1 Estimates of future cash flows;</p> <p>Session 2 possible variations in the estimated amount or timing of future cash flows for the asset being measured, caused by the uncertainty inherent in the cash flows;</p> <p>Session 3 The time value of money;</p> <p>Session 4 The price for bearing the uncertainty inherent in the cash flows (a risk premium). The price for bearing that uncertainty depends on the extent of that uncertainty; and</p> <p>Session 5 Other factors.</p>	<p><i>Based on the IASB Conceptual Framework</i></p>
	<p>B40. Paragraphs C37–C54 describe the use of present value techniques. Those paragraphs focus on a discount rate adjustment technique and an expected cash flow (expected present value) technique. Those paragraphs neither prescribe the use of a single specific present value technique nor limit the use of present value techniques to measure current operational value to the techniques discussed. The present value technique used to measure current operational value will depend on facts and circumstances specific to the asset being</p>	<p><i>Based on C36 of FV AG for consistency</i></p>

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	measured (e.g., whether prices for comparable assets can be observed in the market) and the availability of sufficient data.	
	B41. When applying paragraphs C37–C54 in the context of measuring current operational value, an entity should perform the measurement from the perspective of the entity holding the asset rather from the perspective of the market participant as noted in paragraphs C37.d, C38.a, C40, C41(c), C48, and C49.	-

NOTES		Original Source
	Appendix C: Fair Value <i>This Appendix is an integral part of [draft] IPSAS [X] (ED 77).</i>	
	Measurement	
	<p>C1. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all the following:</p> <ul style="list-style-type: none"> a. The particular asset or liability that is the subject of the measurement (consistently with its unit of account); b. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use); c. The principal (or most advantageous) market for the asset or liability; and d. The measurement technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized. 	IFRS 13.B2
	The Transaction	
	<p>C2. A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.</p>	IFRS 13.15
	<p>C3. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:</p> <ul style="list-style-type: none"> a. In the principal market for the asset or liability; or b. In the absence of a principal market, in the most advantageous market for the asset or liability. 	IFRS 13.16
	<p>C4. An entity need not undertake an exhaustive search of all possible markets to identify the principal market or, in the absence of a principal market, the most advantageous market, but it shall take into account all information that is reasonably available. In the absence of evidence to the contrary, the market in which the entity would normally enter into a</p>	IFRS 13.17

NOTES		Original Source
	transaction to sell the asset or to transfer the liability is presumed to be the principal market or, in the absence of a principal market, the most advantageous market.	
	C5. If there is a principal market for the asset or liability, the fair value measurement shall represent the price in that market (whether that price is directly observable or estimated using another measurement technique), even if the price in a different market is potentially more advantageous at the measurement date.	IFRS 13.18
	C6. The entity must have access to the principal (or most advantageous) market at the measurement date. Because different entities (and operations within those entities) with different activities may have access to different markets, the principal (or most advantageous) market for the same asset or liability might be different for different entities (and operations within those entities). Therefore, the principal (or most advantageous) market (and thus, market participants) shall be considered from the perspective of the entity, thereby allowing for differences between and among entities with different activities.	IFRS 13.19
	C7. Although an entity must be able to access the market, the entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market.	IFRS 13.20
	C8. Even when there is no observable market to provide pricing information about the sale of an asset or the transfer of a liability at the measurement date, a fair value measurement shall assume that a transaction takes place at that date, considered from the perspective of a market participant that holds the asset or owes the liability. That assumed transaction establishes a basis for estimating the price to sell the asset or to transfer the liability.	IFRS 13.21
	Market Participants	
	C9. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.	IFRS 13.22
	C10. In developing those assumptions, an entity need not identify specific market participants. Rather, the entity shall identify	IFRS 13.23

NOTES		Original Source
	<p>characteristics that distinguish market participants generally, considering factors specific to all the following:</p> <ul style="list-style-type: none"> a. The asset or liability; b. The principal (or most advantageous) market for the asset or liability; and c. Market participants with whom the entity would enter into a transaction in that market. 	
	The Price	
	C11. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another measurement technique.	IFRS 13.24
	C12. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for <i>transaction costs</i> . Transaction costs shall be accounted for in accordance with other IPSAS. Transaction costs are not a characteristic of an asset or a liability; rather, they are specific to a transaction and will differ depending on how an entity enters into a transaction for the asset or liability.	IFRS 13.25
	C13. Transaction costs do not include <i>transport costs</i> . If location is a characteristic of the asset (as might be the case, e.g., for a commodity), the price in the principal (or most advantageous) market shall be adjusted for the costs, if any, that would be incurred to transport the asset from its current location to that market.	IFRS 13.26
	Application to non-financial assets	
	Highest and Best Use for Non-Financial Assets	
	C14. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its <i>highest and best use</i> or by selling it to another market participant that would use the asset in its highest and best use.	IFRS 13.27
	C15. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows: <ul style="list-style-type: none"> a. A use that is physically possible takes into account the physical characteristics of the asset that market 	IFRS 13.28

NOTES		Original Source
	<p>participants would take into account when pricing the asset (e.g., the location or size of a property).</p> <p>b. A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g., the zoning regulations applicable to a property).</p> <p>c. A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate revenue or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.</p>	
	<p>C16. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.</p>	<p><i>IFRS 13.29 and IFRS 13.30</i></p>
	<p>C17. To protect the public interest, or for other reasons, an entity may intend not to use an acquired non-financial asset actively or it may intend not to use the asset according to its highest and best use. For example, that might be the case for an acquired intangible asset, such as a drug patent, that the entity plans to use to manufacture vaccines for its citizens. Nevertheless, the entity shall measure the fair value of a non-financial asset assuming its highest and best use by market participants.</p>	<p>-</p>
	<p>Valuation Premise for Non-Financial Assets</p>	
	<p>C18. The highest and best use of a non-financial asset establishes the valuation premise used to measure the fair value of the asset, as follows:</p> <p>(a) The highest and best use of a non-financial asset might provide maximum value to market participants through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (e.g., an operation).</p>	<p><i>IFRS 13.31</i></p>

NOTES		Original Source
	<p>(i) If the highest and best use of the asset is to use the asset in combination with other assets or with other assets and liabilities, the fair value of the asset is the price that would be received in a current transaction to sell the asset assuming that the asset would be used with other assets or with other assets and liabilities and that those assets and liabilities (i.e., its complementary assets and the associated liabilities) would be available to market participants.</p> <p>(ii) Liabilities associated with the asset and with the complementary assets include liabilities that fund working capital, but do not include liabilities used to fund assets other than those within the group of assets.</p> <p>(iii) Assumptions about the highest and best use of a non-financial asset shall be consistent for all the assets (for which highest and best use is relevant) of the group of assets or the group of assets and liabilities within which the asset would be used.</p> <p>(b) The highest and best use of a non-financial asset might provide maximum value to market participants on a stand-alone basis. If the highest and best use of the asset is to use it on a stand-alone basis, the fair value of the asset is the price that would be received in a current transaction to sell the asset to market participants that would use the asset on a stand-alone basis.</p>	
	<p>C19. The fair value measurement of a non-financial asset assumes that the asset is sold consistently with the unit of account specified in other IPSAS (which may be an individual asset). That is the case even when that fair value measurement assumes that the highest and best use of the asset is to use it in combination with other assets or with other assets and liabilities because a fair value measurement assumes that the market participant already holds the complementary assets and the associated liabilities.</p>	IFRS 13.32
	<p>C20. When measuring the fair value of a non-financial asset used in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (e.g., an operation), the effect of the</p>	IFRS 13.B3

NOTES		Original Source
	<p>valuation premise depends on the circumstances. For example:</p> <p>(a) The fair value of the asset might be the same whether the asset is used on a stand-alone basis or in combination with other assets or with other assets and liabilities. That might be the case if the asset is an operation that market participants would continue to operate. In that case, the transaction would involve valuing the operation in its entirety. The use of the assets as a group in an ongoing operation would generate synergies that would be available to market participants (i.e., market participant synergies that, therefore, should affect the fair value of the asset on either a stand-alone basis or in combination with other assets or with other assets and liabilities).</p> <p>(b) An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through adjustments to the value of the asset used on a stand-alone basis. That might be the case if the asset is a machine and the fair value measurement is determined using an observed price for a similar machine (not installed or otherwise configured for use), adjusted for transport and installation costs so that the fair value measurement reflects the current condition and location of the machine (installed and configured for use).</p> <p>(c) An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the fair value measurement through the market participant assumptions used to measure the fair value of the asset. For example, if the asset is work in progress inventory that is unique and market participants would convert the inventory into finished goods, the fair value of the inventory would assume that market participants have acquired or would acquire any specialized machinery necessary to convert the inventory into finished goods.</p> <p>(d) An asset's use in combination with other assets or with other assets and liabilities might be incorporated into the measurement technique used to measure the fair value of the asset. That might be the case when using the multi-period excess earnings method to measure the fair value of an intangible asset because that measurement technique specifically takes into account the contribution of any complementary assets and the associated liabilities in the group in which such an intangible asset would be used.</p>	

NOTES		Original Source
	(e) In more limited situations, when an entity uses an asset within a group of assets, the entity might measure the asset at an amount that approximates its fair value when allocating the fair value of the asset group to the individual assets of the group. That might be the case if the valuation involves real property and the fair value of improved property (i.e., an asset group) is allocated to its component assets (such as land and improvements).	
	Fair Value at Initial Recognition	
	C21. When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an <i>entry price</i>). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Entities do not necessarily sell assets at the prices paid to acquire them. Similarly, entities do not necessarily transfer liabilities at the prices received to assume them.	IFRS 13.57
	C22. In many cases the transaction price will equal the fair value (e.g., that might be the case when on the transaction date the transaction to buy an asset takes place in the market in which the asset would be sold).	IFRS 13.58
	C23. When determining whether fair value at initial recognition equals the transaction price, an entity shall take into account factors specific to the transaction and to the asset or liability. Paragraph C25 describes situations in which the transaction price might not represent the fair value of an asset or a liability at initial recognition.	IFRS 13.59
	C24. If another IPSAS requires or permits an entity to measure an asset or a liability initially at fair value and the transaction price differs from fair value, the entity shall recognize the resulting gain or loss in surplus or deficit unless that IPSAS specifies otherwise.	IFRS 13.60
	C25. When determining whether fair value at initial recognition equals the transaction price, an entity shall take into account factors specific to the transaction and to the asset or liability. For example, the transaction price might not represent the fair value of an asset or a liability at initial recognition if any of the following conditions exist:	IFRS 13.B4

NOTES		Original Source
	<ul style="list-style-type: none"> a. The transaction is between related parties, although the price in a related party transaction may be used as an input into a fair value measurement if the entity has evidence that the transaction was entered into at market terms. b. The transaction takes place under duress or the seller is forced to accept the price in the transaction. For example, that might be the case if the seller is experiencing financial difficulty. c. The unit of account represented by the transaction price is different from the unit of account for the asset or liability measured at fair value. For example, that might be the case if the asset or liability measured at fair value is only one of the elements in the transaction (e.g., in a public sector combination), the transaction includes unstated rights and privileges that are measured separately in accordance with another IPSAS, or the transaction price includes transaction costs. d. The market in which the transaction takes place is different from the principal market (or most advantageous market). For example, those markets might be different if the entity is a dealer that enters into transactions with customers in the retail market, but the principal (or most advantageous) market for the exit transaction is with other dealers in the dealer market. e. The transaction takes place to achieve a specific social policy objective (e.g., issuing concessionary loans or financial guarantees where no, or a nominal fee, is charged). 	
	Measurement Techniques	
	C26. In some cases, fair value can be determined directly by observing prices in an active market. In other cases, it is determined indirectly using measurement techniques.	Based on IASB Conceptual Framework 6.14
	C27. An entity shall use measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.	IFRS 13.61
	C28. The objective of using a measurement technique is to estimate the price at which an orderly transaction to sell the asset or to	IFRS 13.62

NOTES		Original Source
	<p>transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used measurement techniques are the market approach, the cost approach and the income approach. The main aspects of those approaches are summarized in paragraphs C31–C36. An entity shall use measurement techniques consistent with one or more of those approaches to measure fair value.</p>	
	<p>C29. If multiple measurement techniques are used to measure fair value, the results (i.e., respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.</p>	IFRS 13.63
	<p>C30. If the transaction price is fair value at initial recognition and a measurement technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the measurement technique shall be calibrated so that at initial recognition the result of the measurement technique equals the transaction price. Calibration ensures that the measurement technique reflects current market conditions, and it helps an entity to determine whether an adjustment to the measurement technique is necessary (e.g., there might be a characteristic of the asset or liability that is not captured by the measurement technique). After initial recognition, when measuring fair value using a measurement technique or techniques that use unobservable inputs, an entity shall ensure that those measurement techniques reflect observable market data (e.g., the price for a similar asset or liability) at the measurement date.</p>	IFRS 13.64
	<i>Market Approach</i>	
	<p>C31. Measurement techniques consistent with the market approach often use market multiples derived from a set of comparables. Multiples might be in ranges with a different multiple for each comparable. The selection of the appropriate multiple within the range requires judgment, considering qualitative and quantitative factors specific to the measurement.</p>	IFRS 13.B6
	<p>C32. Measurement techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying</p>	IFRS 13.B7

NOTES		Original Source
	exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark quoted securities.	
	<i>Cost Approach</i>	
	C33. Cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost	
	<i>Market Participant</i>	
	C34. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (using specified service lives). In many cases the current replacement cost method is used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.	IFRS 13. B9
	<i>Income Approach</i>	
	C35. When estimating fair value, the income approach can be applied using several methods. Those methods include, for example, the following: <ul style="list-style-type: none"> a. Present value techniques (see paragraph C36); b. Option pricing models, such as the Black-Scholes-Merton formula or a binomial model (i.e., a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option; and c. The multi-period excess earnings method, which is used to measure the fair value of some intangible assets. 	IFRS 13. B11
	<i>Present Value Techniques</i>	
	C36. Paragraphs C37–C54 describe the use of present value techniques to measure fair value. Those paragraphs focus on a discount rate adjustment technique and an expected cash	IFRS 13.B1 2

NOTES		Original Source
	<p>flow (expected present value) technique. Those paragraphs neither prescribe the use of a single specific present value technique nor limit the use of present value techniques to measure fair value to the techniques discussed. The present value technique used to measure fair value will depend on facts and circumstances specific to the asset or liability being measured (e.g., whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.</p>	
	<p>The Components of a Present Value Measurement</p>	
	<p>C37. Present value (i.e., an application of the income approach) is a tool used to link future amounts (e.g., cash flows or values) to a present amount using a discount rate. A measurement of an asset or a liability using a present value technique captures all the following elements from the perspective of market participants at the measurement date:</p> <ul style="list-style-type: none"> a. An estimate of future cash flows for the asset or liability being measured. b. Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows. c. The time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (i.e., a risk-free interest rate). d. The price for bearing the uncertainty inherent in the cash flows (i.e., a risk premium). e. Other factors that market participants would take into account in the circumstances. f. For a liability, the non-performance risk relating to that liability, including the entity's (i.e., the obligor's) own credit risk. 	<p>IFRS 13. B13</p>
	<p><i>General Principles</i></p>	
	<p>C38. Present value techniques differ in how they capture the elements in paragraph C37. However, all the following general principles govern the application of any present value technique used to measure fair value:</p>	<p>IFRS 13.B1 4</p>

NOTES		Original Source
	<ul style="list-style-type: none"> a. Cash flows and discount rates should reflect assumptions that market participants would use when pricing the asset or liability. b. Cash flows and discount rates should take into account only the factors attributable to the asset or liability being measured. c. To avoid double-counting or omitting the effects of risk factors, discount rates should reflect assumptions that are consistent with those inherent in the cash flows. For example, a discount rate that reflects the uncertainty in expectations about future defaults is appropriate if using contractual cash flows of a loan (i.e., a discount rate adjustment technique). That same rate should not be used if using expected (i.e., probability-weighted) cash flows (i.e., an expected present value technique) because the expected cash flows already reflect assumptions about the uncertainty in future defaults; instead, a discount rate that is commensurate with the risk inherent in the expected cash flows should be used. d. Assumptions about cash flows and discount rates should be internally consistent. For example, nominal cash flows, which include the effect of inflation, should be discounted at a rate that includes the effect of inflation. The nominal risk-free interest rate includes the effect of inflation. Real cash flows, which exclude the effect of inflation, should be discounted at a rate that excludes the effect of inflation. Similarly, after-tax cash flows should be discounted using an after-tax discount rate. Pre-tax cash flows should be discounted at a rate consistent with those cash flows. e. Discount rates should be consistent with the underlying economic factors of the currency in which the cash flows are denominated. 	
	<i>Risk and Uncertainty</i>	
	<p>C39. A measurement using present value techniques is made under conditions of uncertainty because the cash flows used are estimates rather than known amounts. In many cases both the amount and timing of the cash flows are uncertain. Even contractually fixed amounts, such as the payments on a loan, are uncertain if there is risk of default.</p>	<p>IFRS 13.B1 5</p>

NOTES		Original Source
	<p>C40. Market participants generally seek compensation (i.e., a risk premium) for bearing the uncertainty inherent in the cash flows of an asset or a liability. A fair value measurement should include a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows. Otherwise, the measurement would not faithfully represent fair value. In some cases determining the appropriate risk premium might be difficult. However, the degree of difficulty alone is not a sufficient reason to exclude a risk premium.</p>	IFRS 13.B1 6
	<p>C41. Present value techniques differ in how they adjust for risk and in the type of cash flows they use. For example:</p> <ul style="list-style-type: none"> (a) The discount rate adjustment technique (see paragraphs C42–C46) uses a risk-adjusted discount rate and contractual, promised or most likely cash flows. (b) Method 1 of the expected present value technique (see paragraph C49) uses risk-adjusted expected cash flows and a risk-free rate. (c) Method 2 of the expected present value technique (see paragraph C50) uses expected cash flows that are not risk-adjusted and a discount rate adjusted to include the risk premium that market participants require. That rate is different from the rate used in the discount rate adjustment technique. 	IFRS 13.B1 7
	<i>Discount Rate Adjustment Technique</i>	
	<p>C42. The discount rate adjustment technique uses a single set of cash flows from the range of possible estimated amounts, whether contractual or promised (as is the case for a bond) or most likely cash flows. In all cases, those cash flows are conditional upon the occurrence of specified events (e.g., contractual or promised cash flows for a bond are conditional on the event of no default by the debtor). The discount rate used in the discount rate adjustment technique is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Accordingly, the contractual, promised or most likely cash flows are discounted at an observed or estimated market rate for such conditional cash flows (i.e., a market rate of return).</p>	IFRS 13.B1 8
	<p>C43. The discount rate adjustment technique requires an analysis of market data for comparable assets or liabilities. Comparability is established by considering the nature of the cash flows (e.g., whether the cash flows are contractual or</p>	IFRS 13.B1 9

NOTES		Original Source
	<p>non-contractual and are likely to respond similarly to changes in economic conditions), as well as other factors (e.g., credit standing, collateral, duration, restrictive covenants and liquidity). Alternatively, if a single comparable asset or liability does not fairly reflect the risk inherent in the cash flows of the asset or liability being measured, it may be possible to derive a discount rate using data for several comparable assets or liabilities in conjunction with the risk-free yield curve (i.e., using a 'build-up' approach).</p>	
	<p>C44. To illustrate a build-up approach, assume that Asset A is a contractual right to receive CU800 in one year (i.e., there is no timing uncertainty). There is an established market for comparable assets, and information about those assets, including price information, is available. Of those comparable assets:</p> <ul style="list-style-type: none"> (a) Asset B is a contractual right to receive CU1,200 in one year and has a market price of CU1,083. Thus, the implied annual rate of return (i.e., a one-year market rate of return) is 10.8 per cent $[(CU1,200/CU1,083) - 1]$. (b) Asset C is a contractual right to receive CU700 in two years and has a market price of CU566. Thus, the implied annual rate of return (i.e., a two-year market rate of return) is 11.2 per cent $[(CU700/CU566)^{0.5} - 1]$. (c) All three assets are comparable with respect to risk (i.e., dispersion of possible pay-offs and credit). 	IFRS 13.B2 0
	<p>C45. On the basis of the timing of the contractual payments to be received for Asset A relative to the timing for Asset B and Asset C (i.e., one year for Asset B versus two years for Asset C), Asset B is deemed more comparable to Asset A. Using the contractual payment to be received for Asset A (CU800) and the one-year market rate derived from Asset B (10.8 per cent), the value of Asset A is CU722 ($CU800/1.108$). Alternatively, in the absence of available market information for Asset B, the one-year market rate could be derived from Asset C using the build-up approach. In that case the two-year market rate indicated by Asset C (11.2 per cent) would be adjusted to a one-year market rate using the term structure of the risk-free yield curve. Additional information and analysis might be required to determine whether the risk premiums for one-year and two-year assets are the same. If it is determined that the risk premiums for one-year and two-year assets are not the</p>	IFRS 13.B2 1

NOTES		Original Source
	same, the two-year market rate of return would be further adjusted for that effect.	
	C46. When the discount rate adjustment technique is applied to fixed receipts or payments, the adjustment for risk inherent in the cash flows of the asset or liability being measured is included in the discount rate. In some applications of the discount rate adjustment technique to cash flows that are not fixed receipts or payments, an adjustment to the cash flows may be necessary to achieve comparability with the observed asset or liability from which the discount rate is derived.	IFRS 13.B22
	<i>Expected Present Value Technique</i>	
	C47. The expected present value technique uses as a starting point a set of cash flows that represents the probability-weighted average of all possible future cash flows (i.e., the expected cash flows). The resulting estimate is identical to expected value, which, in statistical terms, is the weighted average of a discrete random variable's possible values with the respective probabilities as the weights. Because all possible cash flows are probability-weighted, the resulting expected cash flow is not conditional upon the occurrence of any specified event (unlike the cash flows used in the discount rate adjustment technique).	IFRS 13.B23
	C48. In making an investment decision, risk-averse market participants would take into account the risk that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk: (a) Unsystematic (diversifiable) risk, which is the risk specific to a particular asset or liability. (b) Systematic (non-diversifiable) risk, which is the common risk shared by an asset or a liability with the other items in a diversified portfolio. Portfolio theory holds that in a market in equilibrium, market participants will be compensated only for bearing the systematic risk inherent in the cash flows. (In markets that are inefficient or out of equilibrium, other forms of return or compensation might be available.)	IFRS 13.B24
	C49. Method 1 of the expected present value technique adjusts the expected cash flows of an asset for systematic (i.e., market) risk by subtracting a cash risk premium (i.e., risk-adjusted expected cash flows). Those risk-adjusted expected cash flows represent a certainty-equivalent cash flow, which is	IFRS 13.B25

NOTES		Original Source															
	<p>discounted at a risk-free interest rate. A certainty-equivalent cash flow refers to an expected cash flow (as defined), adjusted for risk so that a market participant is indifferent to trading a certain cash flow for an expected cash flow. For example, if a market participant was willing to trade an expected cash flow of CU1,200 for a certain cash flow of CU1,000, the CU1,000 is the certainty equivalent of the CU1,200 (i.e., the CU200 would represent the cash risk premium). In that case the market participant would be indifferent as to the asset held.</p>																
	<p>C50. In contrast, Method 2 of the expected present value technique adjusts for systematic (i.e., market) risk by applying a risk premium to the risk-free interest rate. Accordingly, the expected cash flows are discounted at a rate that corresponds to an expected rate associated with probability-weighted cash flows (i.e., an expected rate of return). Models used for pricing risky assets, such as the capital asset pricing model, can be used to estimate the expected rate of return. Because the discount rate used in the discount rate adjustment technique is a rate of return relating to conditional cash flows, it is likely to be higher than the discount rate used in Method 2 of the expected present value technique, which is an expected rate of return relating to expected or probability-weighted cash flows.</p>	IFRS 13.B2 6															
	<p>C51. To illustrate Methods 1 and 2, assume that an asset has expected cash flows of CU780 in one year determined on the basis of the possible cash flows and probabilities shown below. The applicable risk-free interest rate for cash flows with a one-year horizon is 5 per cent, and the systematic risk premium for an asset with the same risk profile is 3 per cent.</p> <table border="1" data-bbox="519 1434 1268 1717"> <thead> <tr> <th>Possible cash flows</th><th>Probability</th><th>Probabili</th></tr> </thead> <tbody> <tr> <td>CU500</td><td>15%</td><td>CU75</td></tr> <tr> <td>CU800</td><td>60%</td><td>CU480</td></tr> <tr> <td>CU900</td><td>25%</td><td>CU225</td></tr> <tr> <td>Expected cash flows</td><td></td><td>CU780</td></tr> </tbody> </table>	Possible cash flows	Probability	Probabili	CU500	15%	CU75	CU800	60%	CU480	CU900	25%	CU225	Expected cash flows		CU780	IFRS 13.B2 7
Possible cash flows	Probability	Probabili															
CU500	15%	CU75															
CU800	60%	CU480															
CU900	25%	CU225															
Expected cash flows		CU780															
	<p>C52. In this simple illustration, the expected cash flows (CU780) represent the probability-weighted average of the three possible outcomes. In more realistic situations, there could be many possible outcomes. However, to apply the expected present value technique, it is not always necessary to take into</p>	IFRS 13.B2 8															

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	<p>account distributions of all possible cash flows using complex models and techniques. Rather, it might be possible to develop a limited number of discrete scenarios and probabilities that capture the array of possible cash flows. For example, an entity might use realized cash flows for some relevant past period, adjusted for changes in circumstances occurring subsequently (e.g., changes in external factors, including economic or market conditions, industry trends and competition as well as changes in internal factors affecting the entity more specifically), taking into account the assumptions of market participants.</p>	
	<p>C53. In theory, the present value of the asset's cash flows is the same whether determined using Method 1 or Method 2, as follows:</p> <p>(a) Using Method 1, the expected cash flows are adjusted for systematic (i.e., market) risk. In the absence of market data directly indicating the amount of the risk adjustment, such adjustment could be derived from an asset pricing model using the concept of certainty equivalents. For example, the risk adjustment (i.e., the cash risk premium of CU22) could be determined using the systematic risk premium of 3 per cent (CU780 – [CU780 × (1.05/1.08)]), which results in risk-adjusted expected cash flows of CU758 (CU780 – CU22). The CU758 is the certainty equivalent of CU780 and is discounted at the risk-free interest rate (5 per cent). The present value (i.e., the fair value) of the asset is CU722 (CU758/1.05).</p> <p>(b) Using Method 2, the expected cash flows are not adjusted for systematic (i.e., market) risk. Rather, the adjustment for that risk is included in the discount rate. Thus, the expected cash flows are discounted at an expected rate of return of 8 per cent (i.e., the 5 per cent risk-free interest rate plus the 3 per cent systematic risk premium). The present value of the asset is CU722 (CU780/1.08).</p>	<p>IFRS 13.B2 9</p>
	<p>C54. When using an expected present value technique, either Method 1 or Method 2 could be used. The selection of Method 1 or Method 2 will depend on facts and circumstances specific to the asset or liability being measured, the extent to which sufficient data are available and the judgments applied.</p>	<p>IFRS 13.B3 0</p>
	<p>Inputs to Measurement Techniques</p>	

NOTES		Original Source
	<i>General Principles</i>	
	C55. Measurement techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.	IFRS 13.67
	<p>C56. Examples of markets in which inputs might be observable for some assets and liabilities (e.g., financial instruments) include the following:</p> <ul style="list-style-type: none"> (a) Exchange markets. In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange. (b) Dealer markets. In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets (e.g., used equipment). (c) Brokered markets. In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the prices bid and asked by the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets. (d) Principal-to-principal markets. In a principal-to-principal market, transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly. 	IFRS 13.B3 4
	C57. An entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability	IFRS 13.69

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	<p>(see paragraphs 32 and 33). In some cases those characteristics result in the application of an adjustment, such as a premium or discount (e.g., a control premium or non-controlling interest discount). However, a fair value measurement shall not incorporate a premium or discount that is inconsistent with the unit of account in the IPSAS that requires or permits the fair value measurement (see paragraphs 34 and 35). Premiums or discounts that reflect size as a characteristic of the entity's holding (specifically, a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity, as described in paragraph 6) rather than as a characteristic of the asset or liability (e.g., a control premium when measuring the fair value of a controlling interest) are not permitted in a fair value measurement. In all cases, if there is a quoted price in an active market (i.e., a Level 1 input) for an asset or a liability, an entity shall use that price without adjustment when measuring fair value, except as specified in paragraph 5.</p>	
	Fair Value Hierarchy	
	<p>C58. To increase consistency and comparability in fair value measurements and related disclosures, this Appendix establishes a fair value hierarchy that categorizes into three levels the inputs to measurement techniques used to measure fair value (see paragraphs C62–C89). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).</p>	IFRS 13.72
	<p>C59. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs of disposal, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.</p>	IFRS 13.73

NOTES		Original Source
	C60. The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate measurement techniques (see paragraph C27). However, the fair value hierarchy prioritizes the inputs to measurement techniques, not the measurement techniques used to measure fair value. For example, a fair value measurement developed using a present value technique might be categorized within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorized.	IFRS 13.74
	C61. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy. For example, if a market participant would take into account the effect of a restriction on the sale of an asset when estimating the price for the asset, an entity would adjust the quoted price to reflect the effect of that restriction. If that quoted price is a Level 2 input and the adjustment is an unobservable input that is significant to the entire measurement, the measurement would be categorized within Level 3 of the fair value hierarchy.	IFRS 13.75
	<i>Level 1 Inputs</i>	
	C62. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	IFRS 13.76
	C63. A quoted price in an active market provides the most faithfully representative evidence of fair value and shall be used without adjustment to measure fair value whenever available, except as specified in paragraph C655.	IFRS 13.77
	C64. A Level 1 input will be available for many financial assets and financial liabilities, some of which might be exchanged in multiple active markets (e.g., on different exchanges). Therefore, the emphasis within Level 1 is on determining both of the following: a. The principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability; and	IFRS 13.78

NOTES		Original Source
	<p>b. Whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.</p>	
	<p>C65. An entity shall not make an adjustment to a Level 1 input except in the following circumstances:</p> <ul style="list-style-type: none"> a. When an entity holds a large number of similar (but not identical) assets or liabilities (e.g., debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (i.e., given the large number of similar assets or liabilities held by the entity, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In that case, as a practical expedient, an entity may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g., matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy. b. When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market or announcements) take place after the close of a market but before the measurement date. An entity shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy. c. When measuring the fair value of a liability or an entity's own equity instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset (see paragraph AG143F of IPSAS 41). If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy. 	IFRS 13.79

NOTES		Original Source
	<p>C66. If an entity holds a position in a single asset or liability (including a position comprising a large number of identical assets or liabilities, such as a holding of financial instruments) and the asset or liability is traded in an active market, the fair value of the asset or liability shall be measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity. That is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.</p>	IFRS 13.80
	<i>Level 2 Inputs</i>	
	<p>C67. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.</p>	IFRS 13.81
	<p>C68. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:</p> <ul style="list-style-type: none"> (a) Quoted prices for similar assets or liabilities in active markets. (b) Quoted prices for identical or similar assets or liabilities in markets that are not active. (c) Inputs other than quoted prices that are observable for the asset or liability, for example: <ul style="list-style-type: none"> (i) Interest rates and yield curves observable at commonly quoted intervals; (ii) Implied volatilities; and (iii) Credit spreads. <p>a. Market-corroborated inputs.</p>	IFRS 13.82
	<p>C69. Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the following:</p> <ul style="list-style-type: none"> (a) The condition or location of the asset; (b) The extent to which inputs relate to items that are comparable to the asset or liability (including those factors described in paragraph AG143F of IPSAS 41; and (c) The volume or level of activity in the markets within which the inputs are observed. 	IFRS 13.83

NOTES		Original Source
	C70. An adjustment to a Level 2 input that is significant to the entire measurement might result in a fair value measurement categorized within Level 3 of the fair value hierarchy if the adjustment uses significant unobservable inputs.	IFRS 13.84
	C71. Paragraph 2 describes the use of Level 2 inputs for particular assets and liabilities.	IFRS 13.85
	<p>C72. Examples of Level 2 inputs for particular assets and liabilities include the following:</p> <ul style="list-style-type: none"> a. Licensing arrangement. For a licensing arrangement that is acquired in a public sector combination and was recently negotiated with an unrelated party by the acquired entity (the party to the licensing arrangement), a Level 2 input would be the royalty rate in the contract with the unrelated party at inception of the arrangement. b. Finished goods inventory at a retail outlet. For finished goods inventory that is acquired in a public sector combination, a Level 2 input would be either a price to customers in a retail market or a price to retailers in a wholesale market, adjusted for differences between the condition and location of the inventory item and the comparable (i.e., similar) inventory items so that the fair value measurement reflects the price that would be received in a transaction to sell the inventory to another retailer that would complete the requisite selling efforts. Conceptually, the fair value measurement will be the same, whether adjustments are made to a retail price (downward) or to a wholesale price (upward). Generally, the price that requires the least amount of subjective adjustments should be used for the fair value measurement. c. Building held and used. A Level 2 input would be the price per square meter for the building (a valuation multiple) derived from observable market data, e.g., multiples derived from prices in observed transactions involving comparable (i.e., similar) buildings in similar locations. d. Cash-generating unit. A Level 2 input would be a valuation multiple (e.g., a multiple of earnings or revenue or a similar performance measure) derived from observable market data, e.g., multiples derived from prices in observed transactions involving comparable 	IFRS 13.B3 5

NOTES		Original Source
	(i.e., similar) operations, taking into account operational, market, financial and non-financial factors.	
	<p><i>Level 3 Inputs</i></p> <p>C73. Level 3 inputs are unobservable inputs for the asset or liability.</p>	IFRS 13.86
	<p>C74. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.</p>	IFRS 13.87
	<p>C75. Assumptions about risk include the risk inherent in a particular measurement technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the measurement technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability. For example, it might be necessary to include a risk adjustment when there is significant measurement uncertainty (e.g., when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the entity has determined that the transaction price or quoted price does not represent fair value, as described in paragraphs C766–C866).</p>	IFRS 13.88
	<p><i>Measuring Fair Value When The Volume Or Level Of Activity For An Asset Or A Liability Has Significantly Decreased</i></p>	
	<p>C76. The fair value of an asset or a liability might be affected when there has been a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). To determine whether, on the basis of the evidence available, there has been a significant decrease in the volume or level of activity for the asset or liability, an entity shall evaluate the significance and relevance of factors such as the following:</p> <ul style="list-style-type: none"> (a) There are few recent transactions. (b) Price quotations are not developed using current information. 	IFRS 13.B3 7

NOTES		Original Source
	<ul style="list-style-type: none"> (c) Price quotations vary substantially either over time or among market-makers (e.g., some brokered markets). (d) Indices that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability. (e) There is a significant increase in implied liquidity risk premiums, yields or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the entity's estimate of expected cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability. (f) There is a wide bid-ask spread or significant increase in the bid-ask spread. (g) There is a significant decline in the activity of, or there is an absence of, a market for new issues (i.e., a primary market) for the asset or liability or similar assets or liabilities. (h) Little information is publicly available (e.g., for transactions that take place in a principal-to-principal market). 	
	<p>C77. If an entity concludes that there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), further analysis of the transactions or quoted prices is needed. A decrease in the volume or level of activity on its own may not indicate that a transaction price or quoted price does not represent fair value or that a transaction in that market is not orderly. However, if an entity determines that a transaction or quoted price does not represent fair value (e.g., there may be transactions that are not orderly), an adjustment to the transactions or quoted prices will be necessary if the entity uses those prices as a basis for measuring fair value and that adjustment may be significant to the fair value measurement in its entirety. Adjustments also may be necessary in other circumstances (e.g., when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured or when the price is stale).</p>	<p>IFRS 13.B3 8</p>

NOTES		Original Source
	<p>C78. This Appendix does not prescribe a methodology for making significant adjustments to transactions or quoted prices. See paragraphs C26–C29 and C31–C40 for a discussion of the use of measurement techniques when measuring fair value. Regardless of the measurement technique used, an entity shall include appropriate risk adjustments, including a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows of an asset or a liability (see paragraph C48). Otherwise, the measurement does not faithfully represent fair value. In some cases determining the appropriate risk adjustment might be difficult. However, the degree of difficulty alone is not a sufficient basis on which to exclude a risk adjustment. The risk adjustment shall be reflective of an orderly transaction between market participants at the measurement date under current market conditions.</p>	IFRS 13.B39
	<p>C79. If there has been a significant decrease in the volume or level of activity for the asset or liability, a change in measurement technique or the use of multiple measurement techniques may be appropriate (e.g., the use of a market approach and a present value technique). When weighting indications of fair value resulting from the use of multiple measurement techniques, an entity shall consider the reasonableness of the range of fair value measurements. The objective is to determine the point within the range that is most representative of fair value under current market conditions. A wide range of fair value measurements may be an indication that further analysis is needed.</p>	IFRS 13.B40
	<p>C80. Even when there has been a significant decrease in the volume or level of activity for the asset or liability, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (i.e., not a forced liquidation or distress sale) between market participants at the measurement date under current market conditions.</p>	IFRS 13.B41
	<p>C81. Estimating the price at which market participants would be willing to enter into a transaction at the measurement date under current market conditions if there has been a significant decrease in the volume or level of activity for the asset or liability depends on the facts and circumstances at the measurement date and requires judgment. An entity's intention to hold the asset or to settle or otherwise fulfill the</p>	IFRS 13.B42

NOTES		Original Source
	liability is not relevant when measuring fair value because fair value is a market-based measurement, not an entity-specific measurement.	
	<i>Identifying Transactions that are not Orderly</i>	
	<p>C82. The determination of whether a transaction is orderly (or is not orderly) is more difficult if there has been a significant decrease in the volume or level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities). In such circumstances it is not appropriate to conclude that all transactions in that market are not orderly (i.e., forced liquidations or distress sales). Circumstances that may indicate that a transaction is not orderly include the following:</p> <ul style="list-style-type: none"> a. There was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions. b. There was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant. c. The seller is in or near bankruptcy or receivership (i.e., the seller is distressed). d. The seller was required to sell to meet regulatory or legal requirements (i.e., the seller was forced). e. The transaction price is an outlier when compared with other recent transactions for the same or a similar asset or liability. <p>An entity shall evaluate the circumstances to determine whether, on the weight of the evidence available, the transaction is orderly.</p>	IFRS 13.B4 3
	<p>C83. An entity shall consider all the following when measuring fair value or estimating market risk premiums:</p> <ul style="list-style-type: none"> (a) If the evidence indicates that a transaction is not orderly, an entity shall place little, if any, weight (compared with other indications of fair value) on that transaction price. (b) If the evidence indicates that a transaction is orderly, an entity shall take into account that transaction price. The amount of weight placed on that transaction price when 	IFRS 13.B4 4

NOTES		Original Source
	<p>compared with other indications of fair value will depend on the facts and circumstances, such as the following:</p> <ul style="list-style-type: none"> (i) The volume of the transaction. (ii) The comparability of the transaction to the asset or liability being measured. (iii) The proximity of the transaction to the measurement date. <p>(c) If an entity does not have sufficient information to conclude whether a transaction is orderly, it shall take into account the transaction price. However, that transaction price may not represent fair value (i.e., the transaction price is not necessarily the sole or primary basis for measuring fair value or estimating market risk premiums). When an entity does not have sufficient information to conclude whether particular transactions are orderly, the entity shall place less weight on those transactions when compared with other transactions that are known to be orderly.</p> <p>An entity need not undertake exhaustive efforts to determine whether a transaction is orderly, but it shall not ignore information that is reasonably available. When an entity is a party to a transaction, it is presumed to have sufficient information to conclude whether the transaction is orderly.</p>	
	<i>Using Quoted Prices Provided by Third Parties</i>	
	C84. This Appendix does not preclude the use of quoted prices provided by third parties, such as pricing services or brokers, if an entity has determined that the quoted prices provided by those parties are developed in accordance with this Appendix.	IFRS 13.B4 5
	C85. If there has been a significant decrease in the volume or level of activity for the asset or liability, an entity shall evaluate whether the quoted prices provided by third parties are developed using current information that reflects orderly transactions or a measurement technique that reflects market participant assumptions (including assumptions about risk). In weighting a quoted price as an input to a fair value measurement, an entity places less weight (when compared with other indications of fair value that reflect the results of transactions) on quotes that do not reflect the result of transactions.	IFRS 13.B4 6

NOTES		Original Source
	C86. Furthermore, the nature of a quote (e.g., whether the quote is an indicative price or a binding offer) shall be taken into account when weighting the available evidence, with more weight given to quotes provided by third parties that represent binding offers.	IFRS 13.B4 7
	C87. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data. In developing unobservable inputs, an entity may begin with its own data, but it shall adjust those data if reasonably available information indicates that other market participants would use different data or there is something particular to the entity that is not available to other market participants (e.g., an entity-specific synergy). An entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, an entity shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement.	IFRS 13.89
	C88. Paragraph C89 describes the use of Level 3 inputs for particular assets and liabilities.	IFRS 13.90
	<p>C89. Examples of Level 3 inputs for particular assets and liabilities include the following:</p> <ul style="list-style-type: none"> a. Long-dated currency swap. A Level 3 input would be an interest rate in a specified currency that is not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves. b. Three-year option on exchange-traded shares. A Level 3 input would be historical volatility, i.e., the volatility for the shares derived from the shares' historical prices. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option. c. Interest rate swap. A Level 3 input would be an adjustment to a mid-market consensus (non-binding) price for the swap developed using data that are not 	IFRS 13.B3 6

NOTES		<i>Original Source</i>
	<p>directly observable and cannot otherwise be corroborated by observable market data.</p> <p>d. Decommissioning liability assumed in a public sector combination. A Level 3 input would be a current estimate using the entity's own data about the future cash outflows to be paid to fulfill the obligation (including market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the obligation to dismantle the asset) if there is no reasonably available information that indicates that market participants would use different assumptions. That Level 3 input would be used in a present value technique together with other inputs, e.g., a current risk-free interest rate or a credit-adjusted risk-free rate if the effect of the entity's credit standing on the fair value of the liability is reflected in the discount rate rather than in the estimate of future cash outflows.</p> <p>e. Cash-generating unit. A Level 3 input would be a financial forecast (e.g., of cash) developed using the entity's own data if there is no reasonably available information that indicates that market participants would use different assumptions.</p>	

NOTES		Original Source
	Appendix D: Cost of Fulfillment <i>This Appendix is an integral part of [draft] IPSAS [X] (ED 77).</i>	
	Measurement	
	<p>D1. The objective of the cost of fulfillment measurement is to estimate the value of a liability assuming the entity will fulfill its obligation in the least costly manner. A cost of fulfillment measurement requires an entity to determine all the following:</p> <ul style="list-style-type: none"> a. The particular liability that is the subject of the measurement (consistently with its unit of account). b. The manner in which the liability will be settled. c. The measurement technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs when pricing the liability. 	CP, Measurement
	The Least Costly Manner	
	D2. The cost of fulfillment assumes that the liability is settled by the entity in the least costly manner.	CP, Measurement
	D3. The cost of fulfillment represents the amount the entity is obligated to incur to settle the liability. This obligation represents the minimum amount an entity will incur assuming the entity completely satisfies its obligation. For example, an entity may have an obligation to restore a parcel of land to its original condition when a temporary road is no longer in use. Even when the entity intends to enhance the parcel of land, the costs of enhancements are beyond the cost to fulfill the minimum obligation of restoring the land to its original condition and therefore are not representative of the cost to fulfill the liability. In cases where an entity intends to fulfill the liability beyond its commitment, guidance in IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , should be applied when accounting for amount in excess of the cost to fulfill.	CP, Measurement
	D4. The entity must have the ability to access the fulfillment method that results in the obligation being settled in the least costly manner at the expected fulfillment date. Because different entities (and operations within those entities) with different activities may have access to a variety of fulfillment methods, the least costly manner for the same liability might be different for different entities (and operations within those entities). Therefore, the least costly manner shall be considered from the	CP, Measurement

NOTES		Original Source
	perspective of the entity, thereby allowing for differences between and among entities with different activities and circumstances	
	D5. An entity need not undertake an exhaustive search of all fulfillment methods to identify the least costly manner of fulfillment, but it shall take into account all information that is reasonably available. In the absence of evidence to the contrary, the least costly manner of fulfillment is presumed to be the manner in which the entity has currently selected to release itself from the obligation. For example, if an entity elects to fulfill its decommissioning liability using its own employees, it is presumed this is the least costly manner of fulfillment, regardless of the entity's ability to contract the decommissioning to third parties.	CP, Measurement
	D6. Where fulfillment requires work to be done—for example, where the liability is to rectify environmental damage—the relevant costs are those that the entity will incur. This may be the cost to the entity of doing the remedial work itself, or of contracting with an external party to carry out the work. However, the costs of contracting with an external party are only relevant where employing a contractor is the least costly means of fulfilling the obligation and the entity has the ability to access the fulfillment method (see paragraph D4).	IPSASB CF 7.76
	D7. Where fulfillment will be made by the entity itself, the cost of fulfillment does not include any surplus, because any such surplus does not represent a use of the entity's resources. Where the cost of fulfillment amount is based on the cost of employing a contractor, the amount will implicitly include the profit required by the contractor, as the total amount charged by the contractor will be a claim on the entity's resources.	IPSASB CF 7.77
	Entity-Specific Value	
	D8. The cost of fulfillment is an entity-specific value. An entity shall measure the cost of fulfillment of a liability using the assumptions from the entity's perspective, assuming the entity acts in accordance with its own public sector objective.	CP, Measurement
	D9. In developing those entity-specific assumptions, an entity shall identify characteristics specific to the entity and the liability, considering factors specific to all the following: a. The liability;	CP, Measurement

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	<p>b. The entity's expectations about the amount and timing of future outflows of resources; and</p> <p>c. The time value of money.</p> <p>Whether a risk premium is included in the calculation will depend on guidance in the relevant IPSAS.²</p>	
	D10. When estimating market based assumptions, such as the time value of money, there may be little difference between the assumptions that a market participant would apply and those an entity uses itself.	CP, Measurement
	The Cost that the Entity Will Incur	
	D11. The cost of fulfillment estimates the cost assuming the entity settles obligation.	CP, Measurement
	<p>D12. A cost of fulfillment measurement, both at initial and subsequent measurement, should only incorporate the future outflows of resources the entity expects to incur to satisfy the obligation. Those future outflows of resources include the amounts:</p> <p>a. To be transferred to the liability counterparty; and</p> <p>b. The entity expects to be obliged to transfer to other parties to settle the liability.</p>	CP, Measurement
	D13. The price used to measure the cost of fulfilling the liability shall not be adjusted for <i>transaction costs</i> incurred to enter into the transaction. Entry-based transaction costs have no impact on the future outflows of resources the entity expects to incur. In contrast, transaction costs that are expected to be incurred, , in settling the liability i.e., exit-based are a future outflow of resources that is relevant in measuring the cost to fulfill the liability and are included in measuring the cost of fulfillment.	CP, Measurement
	D14. Where the cost of fulfillment depends on uncertain future events, all possible outcomes are taken into account in the estimated cost of fulfillment, which aims to reflect all those possible outcomes in an unbiased manner.	IPSASB CF 7.75
	D15. Where fulfillment of the obligation will not take place for an extended period, the cash flows need to be discounted to reflect the value of the liability at the measurement date using a measurement technique. As a practical expedient, an entity	IPSASB CF 7.78

² When including a risk premium in measuring cost of fulfillment, an entity should perform the measurement from the perspective of the entity holding the liability rather than from the perspective of the market participant as noted in paragraph 6.

NOTES		Original Source
	need not discount the value of the future outflow of resources if the entity expects the obligation to be settled within one year.	
	Settling its Obligations	
	D16. The cost of fulfillment is the cost that the entity expects to incur to settle its obligation in the normal course of operations.	CP, Measurement
	D17. In estimating the cost to settle its obligation in the normal course of operations, the entity assumes the obligation will be fulfilled under the existing terms of the arrangement and that the liability will not be transferred to a third party.	CP, Measurement
	D18. In estimating the cost of fulfillment the entity takes into account all readily available information at the measurement date under current market conditions in estimating the outflow of resources required to settle the liability at the expected fulfillment date.	CP, Measurement
	D19. The cost of fulfillment shall not include the non-performance risk of the entity to settle its obligation. A cost of fulfillment measurement is a measure of the value of a liability assuming the entity will fulfill its obligations. As non-performance risk takes into account the effect on the value of a liability of the entity potentially not meeting its obligations, it is inconsistent to include in the measure of a liability the possibility that it may not meet its obligations when the cost of fulfillment measurement assumes the liability will be fulfilled in the normal course of operations.	CP, Measurement
	Measurement Techniques	
	D20. The cost of fulfillment cannot be observed directly in an active market. It is determined using measurement techniques.	Based on C26 of fair value AG for consistency
	D21. An entity shall use measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure the cost of fulfillment. The cost of fulfillment reflects entity-specific assumptions rather than assumptions used by market participants. In practice, there may be little difference between the assumptions that a market participant would apply and those an entity uses itself.	CP, Measurement
	D22. The objective of using a measurement technique is to estimate the cost that the entity will incur in fulfilling the obligations represented by the liability at the measurement date under current market conditions. The most commonly used valuation approach when measuring the cost of fulfillment is an income	CP, Measurement

NOTES		Original Source
	approach. The main aspects of that approach as it relates to the cost of fulfillment are summarized in paragraphs D23–D48.	
	Income Approach	
	<p>D23. Applying the income approach to estimate the cost of fulfillment shall take into account the attributes of the cost of fulfillment measurement basis. This includes:</p> <ul style="list-style-type: none"> a. Estimates of future cash flows. b. Possible variations in the estimated amount or timing of future cash flows for liability being measured, caused by the uncertainty inherent in the cash flows. c. The time value of money. d. Other factors that impact the value of the liability. 	<p>Based on Error! Reference source not found. of fair value AG for consistency</p>
	<p>D24. Paragraphs D25–D48 describe the use of present value techniques to measure the cost of fulfillment. Those paragraphs neither prescribe the use of a single specific present value technique nor limit the use of present value techniques to measure the cost of fulfillment to the techniques discussed. The present value technique used to measure the cost of fulfillment will depend on facts and circumstances specific to the liability being measured and the availability of sufficient data.</p>	<p>CP, Measurement</p>
	Future Outflows of Resources	
	<p>D25. The estimates of outflows of resources used to determine the cost of fulfillment shall include all inflows of resources and outflows of resources that relate directly to the fulfillment of the liability. Those estimates shall:</p> <ul style="list-style-type: none"> a. Be explicit (i.e., the entity shall estimate those outflows of resources separately from the estimates of discount rates that adjust those future outflows of resources for the time value of money and the risk adjustment that adjusts those future outflows of resources for the effects of uncertainty about the amount and timing of those outflows of resources); b. Reflect the perspective of the entity, provided that the estimates of any relevant market variables do not contradict the observable market prices for those variables (see paragraphs D30–D34); c. Incorporate, in an unbiased way, all of the available information about the amount, timing and uncertainty 	<p>CP, Measurement</p>

NOTES		Original Source
	<p>of all of the inflows of resources and outflows of resources that are expected to arise as the entity fulfills the liability (see paragraph D35); and</p> <p>d. Be current (i.e., the estimates shall reflect all of the available information at the measurement date) (see paragraphs D36–D40).</p>	
	Uncertainty and the Expected Value Approach	
	<p>D26. The expected present value technique uses as a starting point a set of outflows of resources that represents the probability-weighted average of all possible future outflows of resources (i.e., the expected outflows of resources). The resulting estimate is identical to expected value, which, in statistical terms, is the weighted average of a discrete random variable's possible values with the respective probabilities as the weights. Because all possible outflows of resources are probability-weighted, the resulting expected outflows of resources are not conditional upon the occurrence of any specified event (unlike the outflows of resources used in the discount rate adjustment technique).</p>	CP, Measurement
	<p>D27. In determining the expected outflows of resources an entity must:</p> <ul style="list-style-type: none"> a. Identify each possible outcome; b. Make an unbiased estimate of the amount and timing of the future outflows of resources for each outcome; and c. Make an unbiased estimate of the probability of each outcome. 	CP, Measurement
	<p>D28. Paragraph D27 requires the estimate of expected values reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In practice, this may not need to be a complex analysis. In some cases, relatively simple modelling may be sufficient, without the need for a large number of detailed simulations of scenarios. For example, the identification of scenarios that specify the amount and timing of the outflows of resources for particular outcomes and the estimated probability of those outcomes will probably be needed. In those situations, the expected outflows of resources shall reflect at least two outcomes.</p>	CP, Measurement
	<p>D29. In identifying the set of outflows of resources that represents the probability-weighted average of all possible future outflows</p>	-

NOTES		Original Source
	of resources, paragraph D2 assumes that the liability is settled by the entity in the least costly manner. Each outflow represents one possible scenario where the liability is settled in the least costly manner.	
	Market Variables and Non-Market Variables (Paragraph D25.b)	
	<p>D30. This Appendix identifies two types of variables:</p> <ul style="list-style-type: none"> a. Market variables—variables that can be observed in, or derived directly from, markets (e.g., interest rates); and b. Non-market variables—all other variables (e.g., the frequency and severity of natural disasters impacting decommissioning liabilities). 	CP, Measurement
	Market Variables	
	D31. Estimates of market variables shall be consistent with observable market prices at the measurement date. An entity shall not substitute its own estimates for observed market prices except as described in paragraph C58. In accordance with Appendix C, if market variables need to be estimated (e.g., because no observable market variables exist), they shall be as consistent as possible with observable market variables.	CP, Measurement
	Non-Market Variables	
	D32. Estimates of non-market variables shall reflect all of the available evidence, both external and internal.	CP, Measurement
	D33. Non-market external data (e.g., national statistics for decommissioning of a nuclear power facility) may have more or less relevance than internal data (e.g., internally developed statistics for decommissioning of a nuclear power facility), depending on the circumstances.	CP, Measurement
	D34. Estimated probabilities for non-market variables shall not contradict observable market variables. For example, estimated probabilities for future inflation rate scenarios shall be as consistent as possible with probabilities implied by market interest rates.	CP, Measurement
	Estimating Probabilities of Future Payments (Paragraph D25.c)	
	<p>D35. An entity estimates the probabilities associated with future payments on the basis of:</p> <ul style="list-style-type: none"> a. Information about the known or estimated characteristics of the liability; and 	

NOTES		Original Source
	<p>b. Historical data about the entity's own experience, supplemented when necessary with historical data from other sources. Historical data is adjusted if, for example:</p> <ul style="list-style-type: none"> i. The characteristics of the liability differ (or will differ, for example because of adverse selection) from those of the population that has been used as a basis for the historical data; ii. There is evidence that historical trends will not continue, that new trends will emerge or that economic or other changes may affect the outflow of resources that arise from the existing liability; or iii. There have been changes in the entity's practices or procedures that may affect the relevance of historical data to the liability. 	
	Under Current Estimates (Paragraph D25.d)	
	<p>D36. In estimating the probability of each outflow of resources scenario, an entity shall use all of the available current information at the measurement date. An entity shall review the estimates of the probabilities that it made at the end of the previous measurement date and update them for any changes. In doing so, an entity shall consider whether:</p> <ul style="list-style-type: none"> a. The updated estimates faithfully represent the conditions at the end of the measurement date; and b. The changes in estimates faithfully represent the changes in conditions during the period. For example, suppose that estimates were at one end of a reasonable range at the beginning of the period. If the conditions have not changed, changing the estimates to the other end of the range at the end of the period would not faithfully represent what has happened during the whole period. If an entity's most recent estimates are different from its previous estimates, but conditions have not changed, it shall assess whether the new probabilities that are assigned to each scenario are justified. In updating its estimates of those probabilities, the entity shall consider both the evidence that supported its 	CP, Measurement

NOTES		Original Source
	previous estimates and all of the new available evidence, giving more weight to the more persuasive evidence.	
	D37. The probability assigned to each scenario shall reflect the conditions at the measurement date. Consequently, in accordance with IPSAS 14, <i>Events After the Reporting Date</i> , an event that occurs after the end of the reporting period and resolves a condition that existed at the reporting date does not provide evidence of a condition that existed at the end of the reporting period. For example, there may be a 20 per cent probability at the end of the reporting period that a major storm will strike prior to a facility being decommissioned that would increase the cost of decommission. After the end of the reporting period and before the financial statements are authorized for issue, a storm strikes. The outflow of resources under that contract shall not reflect the storm that, with hindsight, is known to have occurred. Instead, the outflow of resources that were included in the measurement are multiplied by the 20 per cent probability that was apparent at the end of the reporting period (with appropriate disclosure, in accordance with IPSAS 14, that a non-adjusting event occurred after the end of the reporting period).	CP, Measurement
	Future Events (Paragraph D25.d)	
	D38. Estimates of non-market variables shall consider not just current information about the liabilities but also information about trends. For example, technology has consistently improved over long periods decreasing decommissioning costs. The determination of the outflow of resources reflects the probabilities that would be assigned to each possible trend scenario in the light of all the available evidence.	CP, Measurement
	D39. Similarly, if the outflow of resources associated with fulfilling the liability are sensitive to inflation, the determination of the outflow of resources shall reflect possible future inflation rates. Because inflation rates are likely to be correlated with interest rates, the measurement of the outflow of resources reflects the probabilities for each inflation scenario in a way that is consistent with the probabilities that are implied by market interest rates.	CP, Measurement
	D40. When estimating the outflow of resources associated with fulfilling the liability, an entity shall take into account future events that might affect the outflow of resources. The entity	CP, Measurement

NOTES		Original Source
	shall develop scenarios that reflect those future events, as well as unbiased estimates of the probability weights for each scenario. However, an entity shall not take into account future events, such as a change in legislation, that would change or discharge the present obligation or create new obligations under the existing liability.	
	Time Value of Money	
	D41. Entities are not indifferent to the timing of an outflow of resources. Accordingly, the timing of the future outflows of resources is a characteristic of a liability and needs to be encompassed in any measurement of a liability's current value. Failure to reflect the time value of money would mean that the resulting measurement would not be a faithful representation of the economic burden the liability represents.	CP, Measurement
	D42. An entity shall determine the estimated outflows of resources by adjusting the estimates of future outflows of resources for the time value of money, using discount rates that reflect the characteristics of the liability. Such rates shall: <ul style="list-style-type: none"> a. Be consistent with observable current market prices for instruments with outflows of resources whose characteristics are consistent with those of the liability's outflows of resources, in terms of, for example, timing, currency and liquidity. b. Exclude the effect of any factors that influence the observable market prices but that are not relevant to the outflows of resources of the liability. 	CP, Measurement
	D43. When using a risk-free rate, the logical sources of reference rates are high quality bonds, for example, bonds issued by a financially sound government. These instruments should include no or insignificant default risk. They will also typically have a range of maturity dates or durations to match the liability durations. In the event that long-dated bonds are unavailable for liabilities with long durations, such as some decommissioning liabilities, it would be necessary to use extrapolation techniques to estimate the rates.	CP, Measurement
	D44. Although rates on high quality government bonds will not need to be adjusted for default risk in determining the risk-free discount rate, they may need to be adjusted for liquidity risk. Some government bonds are traded in deep and liquid markets enabling bond holders to readily sell them at minimal cost. The	CP, Measurement

NOTES		Original Source
	rate payable on such bonds is lower than the rate payable on an equivalent illiquid bond. Accordingly, it might be necessary to include a 'premium for illiquidity' in the observed rate for government bonds that are not traded in deep and liquid markets.	
	Inputs to Measurement Techniques	
	General Principles	
	D45. Measurement techniques used in a cost of fulfillment measurement reflects entity-specific assumptions rather than assumptions used by market participants.	CP, Measurement
	D46. The cost of fulfillment measurement is an entity-specific valuation. When a measurement technique is applied, an entity shall select inputs that are consistent with the characteristics of the liability (see paragraph D10). The technique should maximize the use of observable inputs that are available to a market participant that is making the same valuation as the entity, from the entity's perspective. For example, when measuring the cost to fulfill a decommissioning liability where payments are due in 50 years, an observable market input when discounting the outflow of resources is the government bond rate applicable to the entity.	CP, Measurement
	D47. In some cases, the characteristics of a liability may result in the application of an adjustment (e.g., there is no corresponding bond rate to discount an outflow of resources due in 3.5 years). However, a cost of fulfillment measurement shall not incorporate an adjustment that is inconsistent with the unit of account in the IPSAS that requires or permits the cost of fulfillment measurement.	CP, Measurement
	D48. When a liability will settle at a future date, the assumptions applied in developing and identifying inputs are based on current market conditions. For example, a decommissioning liability may be expected to settle in 50 years. The payment due on fulfillment and the associated discount rate are both based on information available at the measurement date.	CP, Measurement

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>Basis for Conclusions</p> <p><i>This Basis for Conclusions accompanies, but is not part of, [draft] IPSAS {X} (ED 77).</i></p>	
	<p>Introduction</p> <p><i>The Purpose of Measurement in Public Sector Financial Statements</i></p>	
	<p>BC1. The purpose of measurement in public sector financial statements is to provide information about assets and liabilities and related revenues and expenditures that users need for accountability and decision-making. Measurement that fairly reflects the cost of services, operational capacity and financial capacity of a public sector entity supports users' assessments of such matters as:</p> <ul style="list-style-type: none"> (a) Whether the entity provided its services to constituents in an efficient and effective manner; (b) The resources currently available for future expenditures, and to what extent there are restrictions or conditions attached to their use; (c) To what extent the burden on future-year taxpayers of paying for current services has changed; and (d) Whether the entity's ability to provide services has improved or deteriorated compared with the previous year. 	
	Service Delivery Objective and Public Sector Assets and Liabilities	
	<p>BC2. Public sector measurement should take into account both the primary objective of most public entities and the type of assets and liabilities that such entities hold. The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors. The type of assets and liabilities that a public sector entity holds is likely to reflect this objective. For example, in the public sector the primary reason for holding property, plant, and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities is specialized—for example, roads and military assets. There may be a limited market for specialized assets and, even then, they may need considerable adaptation in order to be used by other operators. These factors have implications for the measurement of such assets.</p>	
	<p>BC3. Another common feature of public sector assets is that they are held to achieve policy objectives, such as service delivery, which need to be taken into account when measurement aims to derive a value that reflects existing use.</p>	
	<p>BC4. Governments and other public sector entities may hold items that contribute to the historical and cultural character of a nation or region—for example, art treasures, historical buildings, and other</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	artifacts. They may also be responsible for national parks and other areas of natural significance with native flora and fauna. Such items and areas are not generally held for sale, even if markets exist. Rather, governments and public sector entities have a responsibility to preserve and maintain them for current and future generations.	
	BC5. Governments and other public sector entities incur liabilities related to their service delivery objectives. Many liabilities arise from non-exchange transactions and include those related to programs that operate to deliver social benefits. Liabilities may also arise from governments' role as a lender of last resort and from any obligations to transfer resources to those affected by disasters. In addition many governments have obligations that arise from monetary activities such as currency in circulation.	
	Measurement of Assets and Liabilities for Financial Reporting by Public Sector Entities	
	BC6. Chapter 7 of <i>The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (the Conceptual Framework) addresses measurement of assets and liabilities in the financial statements. In developing Chapter 7 the IPSASB took into account the special characteristics of the public sector, the needs of users, public sector entities' objectives, different types of assets and liabilities, and the importance of service potential.	
	BC7. Where an asset is held primarily for its service potential, rather than its ability to generate future economic benefits, its measurement should provide information on the value of the asset's service potential to the entity. This was an important consideration for the IPSASB, as it developed concepts for public sector measurement and identified appropriate measurement bases for use in the public sector.	
	BC8. The objective of measurement and the measurement bases in Chapter 7 of the Conceptual Framework address public sector financial reporting needs. They differ from objectives and measurement bases developed for private sector entities that operate to make a profit and value assets and liabilities in terms of their ability to generate future economic benefits, which focuses on future cash flows.	
	BC9. The objective of measurement is to select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.	
	Relationship Between ED, <i>Measurement</i> and Other IPSAS	
	BC10. During development of this ED the IPSASB considered including all requirements with respect to measurement of assets and liabilities in one Standard, in order to provide a comprehensive "one stop shop". However, the IPSASB concluded that other IPSAS should address impairment, depreciation, amortization, and any specific measurement requirements relating to the assets or liabilities	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	covered by the IPSAS, for example the measurement of intangible assets or of employee benefit liabilities. [Draft] IPSAS [X], ED 77, <i>Measurement</i> , should provide the definitions and generic application guidance for the measurement bases identified in the Conceptual Framework. The aim is to support consistent application of measurement bases referred to in other IPSAS.	
	BC11. The IPSASB decided to develop appendices for the following four measurement bases: historical cost , current operational value, fair value, and cost of fulfillment , because the greater need for guidance relates to these four measurement bases.	
	Objective (paragraph 1) BC12. ED 77's objective explains that it focuses on the definition of appropriate measurement bases and their derivation. It does not establish requirements for which measurement bases should be used in IPSAS. The ED's objective refers to the objective of measurement in the Conceptual Framework because this underpins its approach to measurement bases and their selection.	
	Structure of Measurement Standard	
	BC13. One objective of the measurement project is to provide detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which these measurement bases will be used.	
	BC14. In order to satisfy this objective, the IPSASB agreed core text should define key terms and provide generic principles for measurement bases and techniques while the appendices would expand on principles for measurement bases and outline how measurement techniques are applied when estimating the value of an asset or liability measured by a specific measurement basis.	
	BC15. The IPSASB concluded this structure is appropriate because: (a) Core text stands alone. Including principle level guidance for measurement bases and measurement techniques in the core text allows it to be read and applied independently of the appendices . (b) Minimal duplication. The most significant challenge to overcome in structuring the material was to reduce the duplication of measurement technique guidance between the core text and the appendices , and within the appendices . This was a challenge because some measurement techniques can be applied to more than one measurement basis. The structure of the [draft] Standard allows for key measurement techniques and principles to be included once in the core text, and application of those principles to each measurement basis to be included in the appropriate appendix .	
	Scope and Definitions (paragraphs 2–6) BC16. ED 77's scope conveys that the [draft] Standard's definitions of measurement bases and related appendices apply when another IPSAS requires measurement using one of the defined measurement bases. As part of its scoping decision, the IPSASB	

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	<p>considered whether the ED should include guidance on the measurement of assets held for sale, as envisioned in ED 79, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>. The IPSASB noted that the issues relating to the measurement of assets held for sale are similar to those relating to the measurement of impaired assets, which is outside the scope of the project. Therefore, it was decided that the measurement of assets held for sale should also be excluded.</p>	
	Initial Measurement (paragraphs 7–16)	
	<p>BC17. The IPSASB discussed the applicability of the measurement hierarchy to initial and subsequent measurement and concluded that it is applicable to measurement in the financial statements (i.e., subsequent measurement).</p>	
	<p>BC18. Unless otherwise required or permitted by another IPSAS, on the transaction date, an asset or liability is initially measured at its transaction price or, when the transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes, at a deemed cost. This approach is applied regardless of whether the current value model or historical cost model is applied when measuring assets and liabilities in the financial statements. For this reason, the IPSASB concluded that initial recognition in the financial statements is based on a measurement after the transaction date and thus the hierarchy applies to subsequent measurement.</p>	
	<p>BC19. A transaction price is applied, where appropriate, because transactions occurring in orderly markets are negotiated between parties at arm's length and are presumed to faithfully present the economics of the transaction. The transaction price is therefore useful for decision-making purposes and to the users of the financial information to hold decision makers to account. Where transaction price is not appropriate, a deemed cost is calculated using a current value measurement technique to approximate the value of the asset or liability on the transaction date.</p>	
	<p>BC20. After measurement on the transaction date, the entity makes an accounting policy choice, where permitted, to apply a historical cost or current value measurement model to reflect the measurement objective of the item being measured. The accounting policy choice impacts the measurement when the item is first, and subsequently, recognized in the financial statements.</p>	
	Amendments to Other IPSAS	
	<p>BC21. The initial measurement guidance developed in [draft] IPSAS [X], ED 77, is principles-based and broadly applicable across the IPSAS suite of standards. When making amendments to other IPSAS as a result of [draft] IPSAS [X], ED 77, the IPSASB agreed the initial measurement requirements in individual IPSAS would not be replaced by the initial measurement principles in [draft] IPSAS [X], ED 77. The IPSASB concluded the more specific initial</p>	

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	measurement guidance in specific IPSAS continues to be relevant and therefore should be retained.	
	Subsequent Measurement (paragraphs 17–53)	
	BC22. Use of the Historical Cost Model or Current Value Model The IPSASB accepts that the existence of accounting policy options reduces comparability between reporting entities. The IPSASB considered the options for measurement subsequent to initial recognition in existing IPSAS with a view to eliminating or reducing those options.	
	<u>BC23.</u> The IPSASB noted that Chapter 7 of the Conceptual Framework sets out the measurement objective (see paragraph BC8).	
Paragraph BC23A updated in March 2022. See agenda item 9.2.6. Update clarifies what should be considered when selecting measurement model	<u>BC23A. Some respondents the Exposure Draft recommended guidance be developed explaining how to determine the appropriate measurement model.</u>	
Paragraph BC23B updated in March 2022. See agenda item 9.2.6. Update clarifies what should be considered when selecting measurement model	<u>BC23B. The IPSASB agreed clarifications would support the consistent application of the guidance and developed Implementation Guidance to expand on the accounting policy choice.</u>	
Paragraph BC23C updated in March 2022. See agenda item 9.2.6. Update clarifies what should be considered when selecting measurement model	<u>BC23C. The IPSASB noted the accounting policy choice is often determined by factors outside of the entity's control. This may occur when the policy choice is made by:</u> <ul style="list-style-type: none"> ○ <u>A more senior level of government for all entities in a sector or jurisdiction; or</u> ○ <u>An applicable regulatory framework in the sector or jurisdiction.</u> <u>When the reporting entity can make its own accounting policy choice in selecting a measurement model, the entity considers the informational it believes best presents useful information to users of the financial information.</u>	
Paragraph BC23D updated in March 2022.	<u>BC23D. In selecting the appropriate measurement model, the reporting entity should consider whether it wants to record its</u>	

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<p>See agenda item 9.2.6.</p> <p>Update clarifies what should be considered when selecting measurement model</p>	<p><u>assets and liabilities to reflect the current economic consumption or not.</u></p>	
	<p><u>BC23-BC24.</u> The Conceptual Framework goes on to state that it is not possible to identify a single measurement basis that best meets the measurement objective and acknowledges both historical cost and current value measurements.</p>	
	<p><u>BC24-BC25.</u> The IPSASB concluded that:</p> <ul style="list-style-type: none"> (a) Where an accounting policy choice exists in an IPSAS to measure using the historical cost model or current value model, it would be inconsistent with the Conceptual Framework to eliminate existing accounting policy options for subsequent measurement; and that (b) Such a step would be outside the scope of this ED, which is to provide requirements and guidance on the definitions and application of measurement bases (i.e., what is meant by each measurement basis and how to derive measurement bases), rather than to specify where they should be used. The latter is a decision for individual standards. 	
	<p><u>BC25-BC26.</u> The Basis for Conclusions of the Conceptual Framework notes that many respondents to the Conceptual Framework Consultation Paper and ED on Measurement advocated the continued widespread use of historical cost, mostly in combination with other measurement bases. Supporters of historical cost referenced the accountability objective of financial reporting, the verifiability of historical cost and its suitability for budget reporting purposes where budgets are prepared on a historical cost basis.</p>	
	<p><u>BC26-BC27.</u> Conversely those who supported current values, linked this view to both decision making and accountability, arguing that the cost of service provision should reflect the value of assets used in service provision at the time they are consumed, rather than their transaction price.</p>	
	<p>Historical Cost (Appendix A)</p>	
	<p>Financial Instruments Measured at Historical Cost</p>	
	<p>Amortized Cost</p>	
	<p><u>BC28.</u> The amortized cost of a financial asset or financial liability reflects estimates of future cash flows discounted at a rate that is not updated after initial recognition. For loans given or received, if interest is receivable or payable regularly, the amortized cost of</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>the loan typically approximates the amount originally paid or received. Therefore, the amortized cost of a financial asset or liability is considered to be a form of historical cost.</p> <p>BC27.</p>	
<p>Paragraph BC28A updated in March 2022. See agenda item 9.2.6.</p> <p>Update explains no measurement techniques apply to HC</p>	<p><u>BC28A In response to comments received to the exposure draft, the IPSASB considered whether the historical cost measurement basis required any measurement techniques in estimating the value of the asset or liability.</u></p>	
<p>Paragraph BC28B updated in March 2022. See agenda item 9.2.6.</p> <p>Update explains no measurement techniques apply to HC</p>	<p><u>BC28B The IPSASB agreed initial measurement of an asset or a liability should be at its transaction price, or deemed cost. Historical cost is the original nominal monetary value of an asset when it is acquired, constructed or developed, or a liability when it is incurred.</u></p>	<p>December 2020 Decision Agenda Item 3.2.5</p>
<p>Paragraph BC28C updated in March 2022. See agenda item 9.2.6.</p> <p>Update explains no measurement techniques apply to HC</p>	<p><u>BC28C Since the measurement hierarchy applies only to subsequent measurement, no measurement techniques apply to historical cost. This is because after initial measurement, the gross carrying amount of an asset or liability measured at historical cost remains unaffected by changes in the underlying current market conditions (i.e., no measurement techniques are applied).</u></p>	<p>December 2020 Decision Agenda Item 3.2.5</p>
	Current Operational Value (Appendix B)	
	<p>BC28-BC29. Most responses to the April 2019 Measurement Consultation Paper 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:</p> <ul style="list-style-type: none"> (a) Highest and best use; and (b) Maximizing the use of market participant data. 	-
	<p>BC29-BC30. While respondents agreed the fair value definition proposed is applicable in some circumstances, they also noted the definition is unlikely to be appropriate as a current value measurement basis in most cases. Respondents expressed the view that a public sector specific measurement is required.</p>	-
	<p>BC30-BC31. The IPSASB agreed with respondents' views and developed a current value measurement basis unique to the public sector. Given fair value is applied to items held for their financial capacity, this basis was developed specifically for assets held for their operational capacity.</p>	-

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>BC31-BC32. 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.</p>	-
	<p>BC32-BC33. The IPSASB agreed that, when an asset is held for its operational capacity, the most relevant information to the users of financial information is the current value of the asset in its current use. This provides users with useful information in the public sector.</p> <p>(a) In the statement of financial position, it reflects the amount an entity would incur at the measurement date to replace the capacity to achieve its present service delivery objective using its existing assets.</p> <p>(b) In the statement of financial performance, the consumption of the asset, through depreciation, reflects the amount the entity would incur during the period to provide the service at the prevailing prices 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.</p>	-
	Current Operational Value – Service Delivery Objective	
	<p>BC33-BC34. The term service delivery objective was used to define current operational value to emphasize the development of the measurement basis related to the measurement of assets held for their operational capacity. While assets used to achieve the entity's service delivery objective may generate cash flows, that is not the service delivery objective.</p>	
	<p>BC34-BC35. For example, the federal government may have a service delivery objective to issue passports to its citizens as a means of identification for international travel. Many federal governments generate cash flows from this activity. However, the objective is to provide a service, while the cash flows generated contribute to covering costs.</p>	
	Current Operational Value – Surplus Capacity	
	<p>BC35-BC36. Respondents to the Measurement Consultation Paper identified highest and best use as a concept that is not applicable when measuring certain assets held in the public sector. Where an entity elects to forgo capacity, the IPSASB discussed whether this capacity should be included in the</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>measurement of current operational value. The IPSASB discussed several examples, including the following two::</p> <ul style="list-style-type: none"> (a) An entity operates a building at 80% capacity. The surplus capacity is not expected to be used during the building's useful life, although there are no specific constraints (such as security requirements) that prevent its use; and (b) A school was constructed with a capacity of 500 students. When the school was first opened, enrollment was at capacity. In subsequent decades, demographic shifts have reduced enrollment to 300 students. The expected enrollment for the remaining service life of the asset is 300 students. 	
	<p>BC36-BC37. The IPSASB agreed surplus capacity should be included, except to the extent the asset is impaired in accordance with IPSAS 21 and IPSAS 26, when measuring current operational value because this represents presents the current value of the asset used to provide the service rather than the amount required to achieve the entity's present service delivery objectives in a hypothetical situation.</p>	
	<p>Current Operational Value – Alternative Sites</p>	
	<p>BC37-BC38. The IPSASB noted that, in carrying out a valuation under the cost approach, valuation professionals would consider the cost of a site suitable for the delivery of the service delivery objectives from a modern equivalent asset. This might be a site of a similar size and in a similar location to the actual site. Where the actual site would no longer be considered appropriate because, for example, the service would be delivered more efficiently or effectively from another location, a hypothetical site in an appropriate location would be used as the basis for the land valuation, subject to discussion and agreement with the entity.</p> <p>BC38-BC39. Despite this, the IPSASB agreed that a valuation based on an alternative site would not achieve the objective of a current operational value measurement because it would not provide a value of the existing asset in its current use. Such valuations should be based on delivering the entity's service delivery objectives from the current site.</p> <p>BC39-BC40. The IPSASB noted that measuring land held for its operating capacity at its current location, total capacity and actual size may result in a valuation that is similar to a market participant valuation, or fair value.</p> <p>Current Operational Value – Restrictions</p> <p>BC40-BC41. The IPSASB is of the view that not all restrictions of the types referred to in paragraph B13 would reduce the entry</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>price for an asset's service potential compared with the price of an equivalent unrestricted asset. Some of those restrictions legally limit an asset's operation to providing a particular service (for example, providing free or subsidized health services) but the nature of the asset effectively precludes alternative uses of the asset, in which cases the legal restriction has little (if any) effect on the asset's value. This would often occur with specialized assets.</p>	
	<p>BC41-BC42. In some cases, a restriction on the use of an asset or the prices that may be charged to users of the asset's services would reduce the net cash inflows the asset is expected to generate and/or the asset's selling price, compared with those amounts without the restriction. However, such effects might not be accompanied by a reduction in the current entry price of the service potential embodied in the asset considered when estimating the asset's current operational value.</p>	
	<p>BC42-BC43. The only circumstance in which a restriction would reduce the current entry price of the service potential embodied in the asset—and therefore reduce the asset's estimated current operational value—is where an equivalent restricted asset is obtainable in an orderly market. In such a circumstance, the vendor of the replacement asset to the public sector entity could obtain only a reduced amount from any prospective purchaser. Therefore, the public sector entity could replace the service potential embodied in its restricted asset for a reduced price.</p>	
	<p>BC43-BC44. However, if an equivalent restricted asset were not obtainable in an orderly market to replace the service potential of the restricted asset being measured, the public sector entity would have no choice but to purchase an equivalent unrestricted asset (the price of which reflects its superior cash-generating ability to other bidders for the asset) to replace the service potential embodied in the asset. In this latter circumstance, the service potential of the asset held for its operational capacity would be no greater to the public sector entity, but the current entry price of that service potential would be greater (compared with the current entry price if an equivalent restricted asset were obtainable in an orderly market).</p>	
	<p>BC44-BC45. Where an equivalent restricted asset is obtainable in an orderly market, the market entry price of an equivalent restricted asset would already reflect any effects that the restrictions have on the current entry price of the service potential embodied in the asset. That is, the restrictions would be taken into account in the measurement of the asset's current operational value, but would be implicit in the market price of the equivalent restricted asset, and therefore no explicit adjustment would be necessary. Where an equivalent restricted asset is obtainable in an orderly market, to be used in the measurement of the restricted asset's current operational value, it is necessary that the price of the equivalent restricted asset is supported by observable market evidence. This criterion is included to enable reliance to be placed</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>on the value of that equivalent asset as an input to faithful representation of the restricted asset's current operational value. Where the price of the equivalent restricted asset is not supported by observable market evidence, the asset is measured at the price of an equivalent unrestricted asset.</p>	
	Current Operational Value – Measurement Techniques	
	<p>BC45-BC46. To support the application of current operational value, the IPSASB agreed each of the measurement techniques (market approach, cost approach and income approach) reflects the attributes of the measurement basis and can be applied in estimating the value of the asset when measured at current operational value. No hierarchy was developed to select the measurement technique. The IPSASB agreed the selection of the measurement technique that approximates the value of the asset under current operational value should be based on professional judgment. In most cases the IPSASB believes the selection should be straightforward as the measurement technique is generally selected based on the data available to the entity measuring the asset.</p>	-
	<p>BC46-BC47. For example, an active market for an identical asset may exist for certain types of assets. In these circumstances applying the market approach is likely to be a straightforward valuation. As the asset becomes more specialized, the existence of an active market likely decreases. In these circumstances the cost approach or the income approach is relevant. However, given public sector assets often generate little to no cash flows, and generally cash flows are insufficient to cover operating expenses, the IPSASB expected the application of the income approach when estimating the value of an asset under the current operational value basis to most likely be applied in conjunction with another measurement technique in estimating the present value of an amount that is unavailable at the measurement date.</p>	-
	<i>Use of Current Operational Value throughout IPSAS</i>	
	<p>BC47-BC48. A review of existing IPSAS was performed to determine whether the public sector specific measurement basis, current operational value, should be added to, or replace, existing measurement bases in each IPSAS.</p>	
	<p>BC48-BC49. The IPSASB agreed current operational value should be available to estimate the value of property, plant, and equipment within the scope of [draft] IPSAS [X], ED 78. The IPSASB added current operational value to historical cost and fair value as measurement bases available to estimate property, plant, and equipment because many items of property, plant, and equipment are held for their operational capacity in the public sector, which may not be accurately represented when applying fair value.</p>	
	<p>BC49-BC50. The IPSASB identified other instances where current operational value may be appropriate throughout its literature. However, the IPSASB agreed any additional changes to</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>measurement bases are best made through projects specific to the IPSAS in question to allow stakeholders to focus on the impact of the proposal. The IPSASB did not propose current operational value be added to any other IPSAS when this [draft] Standard was issued.</p>	
	Fair Value (Appendix C)	
	<p>BC50-BC51. This ED has an appendix for the fair value measurement basis. During development of this ED the IPSASB considered whether the fair value measurement basis was relevant to measuring assets and liabilities held by public sector entities. The IPSASB concluded that:</p> <ul style="list-style-type: none"> a. There are assets and liabilities held by public sector entities that should be measured at fair value; and, b. The term “fair value” should have the same meaning as that established by IFRS 13, Fair Value Measurement. 	
	<p>BC51-BC52. In reaching these two conclusions the IPSASB noted that there were references to fair value throughout IPSAS. However the definition of fair value in the initial suite of IPSAS was derived from a pre-IFRS 13 definition. IFRS 13 defines fair value as an exit value, as follows:</p> <p><i>Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</i></p>	
	<p>BC52-BC53. The IPSASB’s 2014 Conceptual Framework did not include fair value in its list of measurement bases, because the IPSASB considered that the IFRS 13 meaning of fair value would not be appropriate for many public sector assets and liabilities, because it is an exit value. However, during development of this [draft] Standard the IPSASB’s work on financial instruments has demonstrated that an exit-based definition of fair value is relevant for many financial instruments and more generally assets held for financial rather than operational capacity.</p>	
	<p>BC53-BC54. The IPSASB decided, with support from members of its Consultative Advisory Group (CAG), that if the term “fair value” continues to be used in IPSAS, the same meaning as that in IFRS 13 should apply. This avoids confusion and supports good quality measurement, when using this measurement basis.</p>	
	<p>BC54-BC55. In June 2018 the IPSASB approved IPSAS 41, <i>Financial Instruments</i>, which is an IFRS-aligned IPSAS. IPSAS 41 identifies fair value as a measurement basis applicable to financial instruments. The IPSASB had already decided, in September 2017, that the Measurement project should allow for measurement at fair value, with the issue being one of how to integrate the IFRS 13 definition of fair value into IPSAS. The IPSASB decided that [draft] IPSAS [X], <i>Measurement</i>, should include the majority of IFRS 13 text to ensure that its definition of fair value would be consistent with that in IFRS 13, and adequately support IPSAS 41’s requirements with respect to</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>measurement of financial instruments at fair value. On that basis the ED's fair value appendix has reproduced the majority of IFRS 13 text and aims to ensure that the ED's definition of fair value is the same as that established in IFRS 13.</p>	
	Use of Fair Value throughout IPSAS	
	<p>BC55-BC56. A review of existing IPSAS was performed to determine whether the updated fair value was applicable in IPSAS where the legacy "fair value" definition was applied. The IPSASB considered the components of the IFRS 13 definition of fair value to identify the key indicator or indicators of the appropriateness of fair value. The IPSASB concluded that the exit vs. entry distinction is not useful in selecting measurement bases (see BC7.16-BC7.19- of the IPSASB Conceptual Framework). The IPSASB noted that some jurisdictions considered the specialized vs. non-specialized distinction to be useful in considering whether fair value is an appropriate measurement basis. The IPSASB concluded that while the specialization of an asset is a useful distinction, it is not a clear determinant when assessing the appropriateness of fair value. Rather, the IPSASB agreed that an entity's intent to hold the asset or liability for either financial or operational capacity is the clearest indicator. The IPSASB concluded that fair value is an appropriate measurement basis when the asset is held or the liability incurred primarily for its financial capacity.</p>	
	<p>BC56-BC57. The IPSASB also cautioned against a "blanket approach" of fair value appropriateness by Standard, as there may be instances where the use of fair value appropriateness may differ by reporting entity in a consolidation, or where a cash-generating or non-cash-generating asset may have hybrid measurement objectives. It is important to consider transaction-specific and entity-specific considerations within each IPSAS when selecting measurement bases.</p>	
	<p>BC57-BC58. In cases where assets held for operational capacity and assets held for financial capacity are within the scope of the same IPSAS, an entity should exercise professional judgment, consider entity- and transaction-specific factors, and apply accounting principles in existing IPSAS. The primary measurement objective, and in turn the measurement basis, is determined for each individual asset or class of assets (i.e. assets with similar nature and use to an entity's operations within the same IPSAS). The IPSASB concluded that accounting principles to guide an entity to group assets of similar nature and determine the intended primary objective are sufficiently illustrated in existing IPSAS guidance.</p>	
	<p>BC58-BC59. The IPSASB concluded that the need for consequential amendments will be decided on a case by case basis in accordance with [draft] IPSAS [X], <i>Measurement</i>. In performing this analysis, the IPSASB reviewed each IPSAS and decided to retain the term fair value throughout IPSAS and apply this [draft] Standard's definition except for:</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>(a) IPSAS 13, Leases, ([draft] IPSAS [X], Leases) where the term and existing fair value definition in IPSAS 13 are retained;</p> <p>(b) IPSAS 21, Impairment of Non-Cash-Generating Assets, where the term and existing fair value definition in IPSAS 21 are retained; and</p> <p>(c) IPSAS 32, Service Concession Arrangements: Grantor, where the term and existing fair value definition in IPSAS 32 are retained.</p> <p>In each instance where the term and existing fair value definition are retained, the IPSASB decided changes to these definitions of fair value should be considered as part of any projects specific to these IPSAS.</p>	
	<p>BC59.——As noted in BC10, guidance in [draft] IPSAS [X], ED77 , is generic in nature. As such specific measurement guidance in IFRS 13 has been located in the applicable IPSAS. For example, BC60. IFRS 13 paragraphs 34-56 and 70-71 are specific to measuring financial instruments and have been added to IPSAS 41, Financial Instruments.</p>	
	<p><u>Cost of Fulfillment</u></p>	
<p>Paragraph BC61A updated in March 2022. See agenda item 9.2.4.</p> <p>Update explains the difference between CoF and Fulfillment Value.</p>	<p><u>BC61A. As part of the development of Cost of Fulfillment, the IPSASB considered concepts developed by the IASB related to Fulfillment Value. Both measurement bases share many characteristics. However, one key difference between the bases is the requirement to include a risk premium when measuring a liability using fulfilment value. A risk premium, also known as a risk adjustment or risk margin, is the price for bearing the uncertainty inherent in the cash flows.</u></p>	
<p>Paragraph BC61B updated in March 2022. See agenda item 9.2.4.</p> <p>Update explains the difference between CoF and Fulfillment Value.</p>	<p><u>BC61B. Respondents to the April 2019 Measurement Consultation Paper challenged the rationale and need for a risk premium in the public sector. Respondents:</u></p> <ul style="list-style-type: none"> ○ <u>Questioned whether the risk premium provides faithfully representative and relevant information to users about the extent of the entity's obligations to be settled in the future;</u> ○ <u>Noted it does not reflect the least costly manner to fulfill the liability; and</u> ○ <u>Expressed the view that a risk premium reflects a bias in the estimate due to the entity's perception of its indifference to variable and fixed cash flows.</u> 	
<p>Paragraph BC61C updated in March 2022. See agenda item 9.2.4.</p> <p>Update explains the difference between CoF and Fulfillment Value.</p>	<p><u>BC61C. The IPSASB agreed concerns raised by stakeholders could apply in some circumstances and agreed that an assessment as to whether to include a risk premium in the valuation of a liability should be required at individual standards level. The IPSASB therefore maintained the existing Cost of Fulfillment concepts when expanding on the measurement basis in this Standard.</u></p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	Value in Use	
	<p>BC61. One of the project's objectives was to provide more detailed guidance on the implementation of commonly used measurement bases and the circumstances under which these measurement bases will be used. In considering whether this [draft] Standard should include measurement guidance related to value in use, the IPSASB concluded value in use:</p> <ul style="list-style-type: none"> (a) Is not commonly used – value in use is limited to impairment evaluations in IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>; and (b) Is well understood both in application and identifying when it should be applied – IPSAS 21 and IPSAS 26 include extensive measurement guidance when applying a value in use measurement. 	
	<p>BC62. The IPSASB agreed including value in use guidance in this [draft] Standard is unnecessary. This decision was supported by responses to the IPSASB Measurement Consultation Paper.</p>	
	Application of Measurement Techniques	
	<p>BC63. Since measurement techniques consider the attributes of measurement bases, some techniques can be applied to multiple bases. As such, the IPSASB decided to place generic measurement technique guidance in the core text to reflect the generic nature of the measurement technique and enable that guidance to be applicable across multiple measurement bases.</p>	
	<p>BC64. The IPSASB considered how a measurement technique can be used to estimate a value of an asset or a liability under a measurement basis when a public sector entity uses data available to estimate and reflect the attributes of that basis. Based on this analysis, the IPSASB concluded:</p> <ul style="list-style-type: none"> (c) The market approach can be used to estimate the fair value and current operational value measurement bases; (d) The income approach can be used to estimate the current operational value, fair value and cost of fulfillment measurement bases; and (e) The cost approach can be used to estimate the fair value and current operational value measurement bases. <p>The IPSASB noted that judgment is required to select and apply the most appropriate technique to estimate a value of an asset or liability under a particular measurement basis for each transaction, that best meets the objective of that basis.</p>	
	Depreciation and Amortization	
	<p>BC65. Depreciation is a charge for the consumption of an asset over its useful life. ED 77 does not address depreciation. Requirements and guidance on depreciation are provided at</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	<p>standards-level. For example, IPSAS 17, <i>Property, Plant and Equipment</i>, addresses:</p> <ul style="list-style-type: none"> (a) The unit of account for depreciation; (b) The recognition of depreciation; (c) The point at which depreciation of an asset begins; (d) The relationship between economic and useful lives; (e) The circumstances under which land may be depreciated; (f) Depreciation methods; and (g) The relationship between the revenue generated by an asset and depreciation. 	
	<p>BC66. Amortization is the term applied to the consumption of an intangible asset that does not have a physical substance. As for depreciation, requirements and guidance are provided at standards-level, and ED 77 does not address amortization. IPSAS 31, <i>Intangible Assets</i>, distinguishes intangible assets with definite and indefinite useful lives, and for the former provides requirements and guidance on amortization periods and methods and their review and residual value.</p>	
	<p>BC67. The selection of an accounting policy for measurement subsequent to initial recognition may have an impact on whether an asset is depreciated or amortized. This is determined at standards level. For example, IPSAS 17 requires that assets on the revaluation model with useful lives are depreciated. IPSAS 16, <i>Investment Property</i>, does not require depreciation of an investment property that is measured in accordance with the current value model subsequent to initial recognition.</p>	
	<p>Disclosures</p>	
	<p>BC68. The scope of the measurement project included the development of enhanced measurement disclosures that would apply across the IPSAS. In developing disclosures, the IPSASB agreed no additional disclosures were required for assets and liabilities measured using the historical cost model. As no-remeasurement occurs, there is no additional information to disclose as part of subsequent measurement.</p>	
	<p>BC69. For assets and liabilities measured using the current value model, the IPSASB agreed additional disclosures were required. With recurring remeasurements, new information is available as at each measurement date. Disclosures providing information about the measurement techniques, inputs and assumptions applied when measuring assets and liabilities using the current value model provide useful information for decision making.</p>	
	<p>BC70. The IPSASB developed disclosures that are to be applied consistently across the IPSAS that require assets or liabilities be measured using a measurement basis available in the current</p>	

NOTES	DRAFT IPSAS XX, Measurement	Original Source
	value model. These disclosures were inserted in the relevant IPSAS to clearly indicate to which IPSAS the disclosures are to be applied.	
	Transition	
	<p>BC71. The IPSASB concluded that although [draft] IPSAS X, ED 77 is a major new standard that incorporates the IFRS 13, <i>fair value</i> concept into IPSASB literature, much of the [draft] Standard is a codification of existing measurement guidance currently spread across many individual IPSAS. [Draft] IPSAS [X], ED 77 brings together generic measurement guidance, while transaction-specific guidance remains in those individual IPSAS.</p>	
	<p>BC72. Consequently, the IPSASB decided that [draft] IPSAS [X], ED 77 should be effective for annual periods beginning on or after [Month Day, Year]. Because [draft] IPSAS [X], ED 77 applies when other IPSAS require or permit application of the measurement bases (and does not introduce any significantly new measurement principles), the IPSASB believes that the extended transition period for [draft] IPSAS [X], ED 77 provides enough time for entities, their auditors and users of financial statements to prepare for implementation of its requirements.</p>	
	<p>BC73. The IPSASB proposed prospective application because a change between current value measures would be inseparable from a change in the current value measurements (i.e., as new events occur or as new information is obtained, e.g., through better insight or improved judgment). Therefore, the IPSASB concluded that [draft] IPSAS [X], ED 77 should be applied prospectively (in the same way as a change in accounting estimate).</p>	

Implementation Guidance

This guidance accompanies, but is not part of, [draft] ED (X), Measurement.

Section A: Attributes of Measurement Bases

A.1 What are the attributes of each measurement basis

What are the attributes of each measurement basis?

	Fair Value	Current Operational Value	Cost of Fulfillment	Historical Cost
Asset Valuation	X	X		X
Liability Valuation	X		X	X
Exit Value	X		X	
Entry Value		X		X
Entity Specific		X	X	X
Market Inputs	X	X		
Market Participant	X			
Non-Performance Risk	X			
Risk Premium	X			
Current Market Conditions	X	X	X	
Principal or most advantageous market	X			
Highest and Best Use	X			
Least costly manner		X	X	

Section B: Selection of Measurement Bases

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	<p>Section B: Selection of <u>Appropriate Measurement Bases</u></p> <p>B.1. How does an entity determine the intended primary measurement objective of an asset?</p> <p>Where an asset is used for both cash-generating and non-cash-generating purposes, an entity shall determine the primary objective of holding the asset in order to select the appropriate measurement basis. An entity should apply professional judgment and consider the principles outlined in IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, (paragraphs 16–21) to determine the asset's intended primary objective. Where an entity is unable to do so using those principles, an entity shall presume that the asset is non-cash-generating given the overall objective of the public sector.</p>	
<p><i>Paragraph B.2 updated in March 2022. See Agenda Item 9.2.6.</i></p> <p><i>Update clarifies what should be considered when selecting a measurement model</i></p>	<p><u>B.2. What should an entity consider when determining the appropriate measurement model?</u></p> <p><u>Whether the historical cost model or current value model is applied to measure an entity's assets and liabilities is often determined by factors outside of the entity's control. This may occur when the policy choice is made by:</u></p> <ul style="list-style-type: none"> - <u>A more senior level of government for all entities in a sector or jurisdiction; or</u> - <u>An applicable regulatory framework in the jurisdiction.</u> <p><u>When the reporting entity can make its own accounting policy choice in selecting a measurement model, the entity should select the measurement model that best meets the informational needs of the user of the financial reports.</u></p> <p><u>In selecting the appropriate measurement model, the reporting entity should consider whether it wants to record its assets and liabilities to reflect current economic consumption or not.</u></p>	
	<p>Section C: Use of Experts</p> <p>C.1 Who should carry out a valuation of assets or liabilities?</p> <p>Responsibility for obtaining a valuation of asset(s) or liability(ies) for financial accounting and reporting purposes rests with the preparer of the relevant financial statements. However, the valuation should be carried out by an individual (or organization) with the relevant expertise to provide a valuation that faithfully represents the values of the asset(s) or liability(ies) in the financial statements in</p>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	accordance with IPSAS 1, <i>Presentation of Financial Statements</i> , paragraph 27.	
	<p>The nature of the asset(s) or liability(ies) will guide the preparer of the financial statements in determining what field of expertise is required. For example: the measurement of liabilities arising under a pension scheme will require the input of an actuary; the measurement of medical plant and equipment assets will involve discussions with clinicians and procurement experts; those responsible for the management of vehicle fleets will need to be involved with the valuation of those fleets; the measurement of any legal claims against the entity (liabilities) will involve discussions with the entity's legal advisors; the valuation of infrastructure assets will involve engineers and surveyors; and the valuation of land and buildings will need to be carried out by appropriately qualified surveyors.</p>	
	<p>C.2 What type of information will the valuation specialist require in order to carry out a valuation?</p> <p>The entity and the valuation specialist will need to discuss and agree the nature and scope of the valuation assignment prior to the assignment being undertaken. The information that the valuation specialist will require depends in part on the nature of the asset(s) or liability(ies) to be valued.</p>	
	<p>The information that the entity will need to give to the valuation specialist in order that the specialist can carry out a valuation will generally include some or all of the following.</p> <ul style="list-style-type: none"> (a) The purpose of the valuation. An entity might require a valuation of its assets or liabilities for a variety of reasons, and the purpose might determine the basis of valuation that the expert will adopt. The purpose of the valuation in applying this [draft] Standard is for inclusion in the entity's financial statements. The entity should inform the valuation specialist that the financial statements will be prepared in accordance with IPSAS; a copy of the relevant IPSAS (or the relevant extract) might usefully be supplied to and discussed with the valuation specialist. Any discussion between the entity and the valuation specialist should clarify what valuation work will be carried out and any specific disclosures required to accompany the valuation in order to ensure that the precise accounting needs are addressed. (b) The asset(s) or liability(ies) being valued. The entity and the valuation specialist need to agree what asset(s) or 	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>liability(ies) are to be valued for inclusion in the financial statements. The valuation specialist will need:</p> <ul style="list-style-type: none"> (i) To understand the entity's legal interest in each asset or liability, and whether the whole or only part of the legal interest will be valued; (ii) Where the entity is a tenant of real estate, information about any improvements made by the entity and whether these improvements would to be disregarded on renewals, or review of the lease, and whether the entity will need to reinstate the real estate to its original condition at the end of the tenancy; (iii) To understand the degree of control an entity has over real estate or other property³ that is owned by more than one entity and how any rights held by the other owning entities might restrict the ability of an entity to sell its interest in the real estate or other property; (iv) To ensure that, in the context of a portfolio of real estate, any grouping of those assets is appropriate; (v) Information about the purpose of holding the asset or liability – for financial capacity or operational capacity – as the purpose may influence the valuation specialist in the selection of a valuation method (a measurement basis or technique). <p>(c) Assumptions and any special assumptions. International or national standards applicable to the type of valuation may differentiate between assumptions that are consistent, or could be consistent, with the known facts at the date of the valuation, and special assumptions where the assumptions used in the valuation differ from the known facts. When applicable, the entity and the valuation specialist will need to agree what assumptions should be used in the valuation, taking into account the attributes of the measurement basis; any assumptions should be included in the valuation report.</p> <p>(d) The valuation date. The entity will need to inform the valuation specialist of the specific valuation date required.</p>	

³ Other property is/are asset(s) or liability(ies) other than real estate as defined above.

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>(e) The reporting currency. The entity must inform the valuation specialist of the currency in which the valuation of the asset or liability will be expressed in the financial statements. This is particularly important where the asset(s) or liability(ies) being valued are spread across more than one jurisdiction or where cash flows associated with the asset(s) or liability(ies) are expressed in more than one currency. A typical example is the operation of overseas diplomatic activities.</p> <p>(f) Limitations on the work of the valuation specialist. A valuation specialist will follow the appropriate international or national standards applicable to the type of valuation being undertaken. The methodology used by the valuation specialist might include any of the following:</p> <ul style="list-style-type: none"> (i) Physical inspections of the asset(s) or liability(ies) (particularly if the valuation specialist is undertaking a valuation of the specific asset(s) or liability(ies) for the first time). (ii) Enquiries (both internal and external to the entity). (iii) Analysis of the information provided by the entity or through enquiries, or from the results of any physical inspections. <p>The entity must inform the valuation specialist of any limitations or restrictions that will be imposed on the valuation assignment because these may affect the results of the valuation and will need to be recorded in the valuation report.</p>	
	<p>C.3 What valuation bases does the valuation specialist use?</p> <p>Valuation specialists will use international or national standards appropriate for the valuation assignment. In general terms, the valuation specialist will use a market approach, income approach, or cost approach to valuation depending on the nature of the asset (or liability), the purpose, measurement objective and measurement basis, intended use and context of the particular assignment, and any jurisdictional statutory or other mandatory requirements.</p>	
	<p>C.4 What sort of assumptions would it be reasonable for an entity to require the valuation specialist to make when carrying out a valuation of real estate?</p> <p>The nature of any assumptions and special assumptions may be influenced by one or more of the factors listed below; these and any other factors should be discussed with the valuation</p>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>specialist when the scope of the valuation assignment is being determined.</p> <ul style="list-style-type: none"> <li data-bbox="540 365 1260 806">(a) Jurisdictional requirements. For example, where real estate assets that are revalued under the cost approach (often referred to as the depreciated replacement cost valuation method), a jurisdiction might require the entity to instruct the valuation specialist to assume that a proposed building or other specialized asset had actually been completed on the valuation date as an 'instant build' or 'single phase development' (that is, no assumptions are required about the length of time it might take to build a replacement building). This would be a 'special assumption'. <li data-bbox="540 827 1260 1037">(b) Service delivery constraints. For example, if an entity has determined that, in order to meet its service delivery objectives, the service has to be delivered from a specific location, then the entity should instruct the valuation specialist to value that real estate asset in that location. This would be a 'special assumption'. <li data-bbox="540 1058 1260 1425">(c) Service delivery requirements. For example, experienced demographic changes, or demographic changes reasonably expected over the remaining life of the asset, might indicate a change in demand for the service. This in turn might lead to a change in assumption about the ongoing use of the asset or to a change in the specifications required for an efficient and effective replacement of the asset. This might be an 'assumption' or a 'special assumption' depending on the circumstances. <li data-bbox="540 1446 1260 1890">(d) Functionality. For example, a building might have a conventional, basic design that is superficially similar to other buildings that are regularly bought and sold in the market, but on closer inspection have specialized features designed to meet the requirements of the actual occupier. Examples of specialized features include the addition of security/safety enhancements to protect staff from physical attack in office buildings used for the delivery of services directly to the public; stand-off land around embassies to protect the premises (and staff) from terrorist attack; or other adaptations to a building 	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>to enhance efficiency and effectiveness in delivering services. An entity will need to discuss whether any of the specialized features would lead to a 'special assumption' about the measurement basis and technique to be applied in the valuation.</p> <p>(e) Standard models. For example, the construction industry will generally have standard design lives for different types of real estate (residential, commercial or industrial); engineers will take a similar approach to certain types of built structures such as bridges or dams. In some cases, there may also be standard costings associated with certain types of other property assets and, unless instructed otherwise, the valuation specialist might use these standard model assumptions in preparing the valuation</p>	
	<p>C.5 What is meant by a 'modern equivalent asset'?</p> <p>The concept of a modern equivalent asset is applied by a valuation specialist when valuing real estate under the cost approach (the depreciated replacement cost (DRC) valuation method in some international or national valuation standards).</p>	
	<p>The DRC method is based on the economic theory of substitution. Like the other forms of valuation, it involves comparing the asset being valued with another. However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in an exchange transaction would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.</p>	
	<p>In order to assess the price that the potential buyer would bid for the actual asset, valuation depreciation adjustments have to be made to the gross replacement cost of the MEA to reflect the differences between it and the modern equivalent. These differences can reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset. Land required for the MEA will be separately assessed.</p>	
	<p>An MEA is one that provides similar function and equivalent utility to the asset being valued, but which is of a current design and constructed or made using current cost-effective materials and techniques.</p>	
	<p>Under the cost approach, the valuation specialist will reflect all appropriate costs in the replacement cost of the asset; these will include the value of the land, infrastructure, design fees, finance costs (where appropriate) and developer profit that would be incurred by a participant in creating an equivalent asset.</p>	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	In order to ensure comparability, the entity should instruct the valuation specialist to assume that the land on which an MEA would be constructed is ready for development to the same extent that an alternative site would be ready for development. That is, any site clearance costs to make the existing site ready for development would be ignored.	
	If the jurisdiction does not normally capitalize borrowing costs under IPSAS 5, <i>Borrowing Costs</i> , the entity should instruct the valuation expert to disregard any financing costs.	
	<p>The cost of the MEA needs to be adjusted to reflect the condition, functionality and any other factors of obsolescence of the existing asset. The valuation specialist will consider, in consultation with the entity:</p> <ul style="list-style-type: none"> (a) Physical obsolescence. The valuation specialist considers the existing asset and adjusts for a loss of utility arising from its age, condition and probable costs of routine servicing and repairs over the remaining useful life of the asset. Any future capital expenditure on significant refurbishment or replacement of components of the asset (such as, for example, new lifts) would not be considered as probable costs as part of the assignment. (b) Functional obsolescence. The valuation specialist will assess the suitability of the existing asset for its current use by comparing its functionality against the functionality of the modern equivalent asset in terms of design, specification and technology. Examples of such factors are: <ul style="list-style-type: none"> (i) Compatibility of plant and services within the asset or group of assets (this might be of particular importance, for example, where the asset is a connected series of buildings such as a hospital or school that has developed over time by adding new buildings to existing buildings); (ii) Inefficient use or under-use of part or all of plant and machinery; (iii) Poor layout of a building, leading to inefficient use; or (iv) Outdated technology. (c) Economic (or external) obsolescence. The valuation specialist assesses external factors, such as the characteristics of the area, national and local planning 	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	Original Source
	policies, externally imposed restrictions, and changes in demand for the services provided by the asset.	
	<p>C.6 Do I have to use a valuation expert external to my entity?</p> <p>You do not have to use a specialist from another organization. Where an entity has the relevant, suitably qualified (that is, a member of an appropriate professional body) expertise available in-house, that specialist can be used to provide a valuation. However, the entity's management and the auditor will need to be satisfied that the use of an in-house valuation specialist provides the level of independence required under international and national valuation standards.</p>	
	<p>Whatever the source of the expertise, the name, qualifications and employing organization of the valuation specialist must be provided in the notes to the financial statements. This disclosure might be in the note on accounting policies or in the notes accompanying the detailed asset disclosures.</p>	
	<p>C.7 What can I expect from a valuation specialist's report?</p> <p>International and national valuation standards require valuation specialists to include certain information in their reports. This will apply regardless of whether the valuation is carried out in-house or externally.</p>	
	<p>The information in a report will depend partly on what the entity and the valuation specialist agreed prior to the assignment, partly on the nature of the asset(s) or liability(ies) being valued, and partly on the standards framework used by the valuation specialist.</p>	
	<p>The information in the report will include, but will not necessarily be limited to:</p> <ul style="list-style-type: none"> (a) The name, qualifications, employing organization and any other relevant details of the valuation specialist. (b) The name of the entity that commissioned the valuation and the name(s) of any other intended users of the report. (c) The purpose of the valuation. (d) The asset(s) or liability(ies) valued. For real estate assets, the report might include maps and plans depending on jurisdictional requirements, as well as the type of tenure (freehold or leasehold and, in the case of leasehold, details of the financial terms and of the responsibilities for repairs etc. under the lease). (e) The valuation base(s) adopted. (f) The valuation date and the date of the valuation report. (g) A discussion of the approach the valuation specialist took in undertaking the assignment – for example, details of any 	

NOTES	DRAFT IPSAS XX, <i>Measurement</i>	<i>Original Source</i>
	<p>physical inspections, interviews, review of documents, constraints placed on the assignment, etc.).</p> <p>(h) Assumptions and special assumptions.</p> <p>(i) Confirmation that the valuation has been undertaken in accordance with the relevant international or national valuation standards.</p> <p>(j) The valuation amount(s) and the reasoning behind arriving at those amounts, with reference to the bases used. The report will provide separate valuation amounts for land and buildings on that land. It is likely that the valuation report will include separate valuation amounts for individual components of an asset where material in terms of the amounts or significant in terms of the asset itself. The report will include valuation amounts in both functional and reporting currencies (as appropriate).</p> <p>(k) A discussion of any material uncertainties in the valuation amount(s) where this is necessary for a proper understanding of the valuation amount(s).</p> <p>(l) For certain liabilities, the probability of the timing and amount of any payments to settle claims.</p>	
<p><i>Paragraph D.1 updated in March 2022. See Agenda Item 9.2.6.</i></p> <p><i>Update clarifies difference between HC and transaction price</i></p>	<p><u>Section D: Historical Cost</u></p> <p><u>D.1 Is there a difference between the transaction price and historical cost?</u></p> <p><u>Yes. Transaction price is determined on the date of initial recognition, whereas historical cost is a subsequent measurement basis that presents the original nominal monetary value of an asset or a liability. Historical cost is derived, at least in part, from the price of the transaction or other event that gave rise to the asset or liability. -</u></p>	

Supporting Documents 3–Amendments to Other IPSAS

1. Guidance in Amendments to Other IPSAS is based on the consolidated amendments to other IPSAS issued as a supporting document to ED 76 – ED 79. Text has been updated to reflect:
 - (a) Staff recommendations proposed in this Agenda Item.
2. Changes from published consolidated amendments are:
 - (a) Removed generic measurement disclosures from:
 - (i) IPSAS 12
 - (ii) IPSAS 16
 - (iii) IPSAS 27
 - (iv) IPSAS 30
 - (v) IPSAS 31
 - (vi) IPSAS 33
 - (vii) IPAS 38

These disclosures were moved to IPSAS, Measurement. See [Agenda Item 9.2.5](#).

Consolidated Amendments to Other IPSAS

[IPSAS 1, Presentation of Financial Statements](#)

[IPSAS 2, Cash Flow Statements](#)

[IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors](#)

[IPSAS 4, The Effects of Change in Foreign Exchange Rates](#)

[IPSAS 5, Borrowing Costs](#) (No changes required)

IPSAS 6, Rescinded

IPSAS 7, Rescinded

IPSAS 8, Rescinded

[IPSAS 9, Revenue from Exchange Transactions](#)

[IPSAS 10, Financial Reporting in Hyperinflationary Economies](#)

IPSAS 11, Construction Contracts (No changes required)

[IPSAS 12, Inventories](#)

IPSAS 13, Leases (No changes required)

[IPSAS 14, Events After the Reporting Date](#)

IPSAS 15, Rescinded

[IPSAS 16, Investment Property](#)

[IPSAS 17, Property, Plant, and Equipment](#)

[IPSAS 18, Segment Reporting](#)

[IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets](#)

IPSAS 20, Related Party Disclosure (No changes required)

[IPSAS 21, Impairment of Non-Cash Generating Assets](#)

[IPSAS 22, Disclosure of Financial Information about the General Government Sector](#)

[IPSAS 23, Revenue from Non-Exchange Transactions \(Taxes and Transfers\)](#)

IPSAS 24, Presentation of Budget Information in Financial Statements (No changes required)

IPSAS 25, Rescinded

IPSAS 26, Impairment of Cash-Generating Assets

[IPSAS 27, Agriculture](#)

[IPSAS 28, Financial Instruments: Presentation](#)

IPSAS 29, Financial Instruments: Recognition and Measurement (No changes required)

[IPSAS 30, Financial Instruments: Disclosure](#)

[IPSAS 31, Intangible Assets](#)

[IPSAS 32, Service Concession Arrangements: Grantor](#)

[IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards \(IPSASs\)](#)

[IPSAS 34, Separate Financial Statements](#)

[IPSAS 35, Consolidated Financial Statements](#)

[IPSAS 36, Investments in Associates and Joint Ventures](#)

IPSAS 37, Joint Arrangements (No changes required)

[IPSAS 38, Disclosure of Interests in Other Entities](#)

[IPSAS 39, Employee Benefits](#)

[IPSAS 40, Public Sector Combinations](#)

[IPSAS 41, Financial Instruments](#)

[IPSAS 42, Social Benefits](#)

[ED 70, Revenue with Performance Obligations](#)

[ED 71, Revenue without Performance Obligations](#)

[ED 72, Transfer Expenses](#)

ED 73, COVID 19 (No changes required)

[ED 74, Borrowing Costs](#)

[ED 75, Leases](#)

[ED 79, Non-current Assets Held for Disposal and Discontinued Operations](#)

ED		Reason for change
	Amendments to Other IPSAS	
	Amendments to IPSAS 1, <i>Presentation of Financial Statements</i>	
ED77/ED78/ED79	Paragraphs 7, 88, 92, 94, 101, 102, 107, 125C, 133, 134, 143 and 148 are amended. Paragraph 153Q, 153R and 153S are added. New text is underlined, and deleted text is struck through.	
	...	
	Definitions	
ED 78	<p>7. The following terms are used in this Standard with the meanings specified:</p> <p>...</p> <p><u>Net assets/equity</u> is the residual interest in the assets of the entity after deducting all its liabilities.</p> <p>The components of net assets/equity are contributed capital, accumulated surpluses or deficits, reserves, and non-controlling interests. Types of reserves include:</p> <ul style="list-style-type: none"> (a) Changes in revaluation surplus (see <i>IPSAS 47[draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</i> and <i>IPSAS 31, Intangible Assets</i>); (b) Remeasurements of defined benefit plans (see <i>IPSAS 39, Employee Benefits</i>); (c) Gains and losses arising from translating the financial statements of a foreign operation (see <i>IPSAS 4, The Effects of Changes in Foreign Exchange Rates</i>); (d) Gains and losses from investments in equity instruments designated at fair value through net assets/equity in accordance with paragraph 106 of <i>IPSAS 41, Financial Instruments</i>; (e) Gains and losses on financial assets measured at fair value through net assets/equity in accordance with paragraph 41 of <i>IPSAS 41</i>; (f) The effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through net assets/equity in accordance with paragraph 106 of <i>IPSAS 41</i> (see paragraphs 113-155 of <i>IPSAS 41</i>); (g) For particular liabilities designated as at fair value through surplus or deficit, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 108 of <i>IPSAS 41</i>); (h) Changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the 	

ED		Reason for change
	<p>intrinsic value (see paragraphs 113-155 of IPSAS 41); and</p> <p>(i) Changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see paragraphs 113-155 of IPSAS 41).</p>	
	...	
	Statement of Financial Position	
	...	
	Information to be Presented on the Face of the Statement of Financial Position	
ED79	<p>88. As a minimum, the face of the statement of financial position shall include line items that present the following amounts:</p> <p>(a) Property, plant, and equipment;</p> <p>...</p> <p>(n) Non-controlling interest, presented within net assets/equity; and</p> <p>(o) Net assets/equity attributable to owners of the controlling entity.;</p> <p>(p) <u>The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations; and</u></p> <p>(q) <u>Liabilities included in disposal groups classified as held for sale in accordance with [draft] IPSAS [X] (ED 79).</u></p>	
	...	
	Statement of Financial Performance	
	Surplus or Deficit for the Period	
	...	

ED		Reason for change
	Information to be Presented on the Face of the Statement of Financial Performance	
ED 77	<p>102. As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period:</p> <p>(a) Revenue, presenting separately:</p> <p style="padding-left: 40px;">(i) Interest revenue calculated using the effective interest method; and</p> <p style="padding-left: 40px;">(ii) Gains and losses arising from the derecognition of financial assets measured at amortized cost;</p> <p style="text-align: center;">...</p> <p>(d) [deleted] Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and</p> <p>(e) <u>Surplus or deficit; and</u></p> <p>(f) <u>A single amount for the total of discontinued operations (see [draft] IPSAS [X] (ED 79)).</u></p>	
	...	
	<i>Information to be Presented on the Face of the Statement of Financial Position</i>	
	...	
ED 78	<p>92. The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that they should be presented as separate line items. For example, different classes of property, plant, and equipment can be carried at cost or revalued amounts in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78).</u></p>	
	...	
	<i>Information to be Presented either on the Face of the Statement of Financial Position or in the Notes</i>	
	...	
ED 78	<p>94. The detail provided in subclassifications depends on the requirements of IPSAS and on the size, nature and function of the amounts involved. The factors set out in paragraph 91 also are used to decide the basis of subclassification. The disclosures vary for each item, for example:</p> <p>(a) Items of property, plant, and equipment are disaggregated into classes in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78);</u></p>	

ED		Reason for change
	<p>(b) Receivables are disaggregated into amounts receivable from user charges, taxes and other non-exchange revenues, receivables from related parties, prepayments, and other amounts;</p> <p>(c) Inventories are subclassified in accordance with IPSAS 12, <i>Inventories</i>, into classifications such as merchandise, production supplies, materials, work in progress, and finished goods;</p> <p>(d) Taxes and transfers payable are disaggregated into tax refunds payable, transfers payable, and amounts payable to other members of the economic entity;</p> <p>(da) Social benefits liabilities are disaggregated into separate social benefit schemes where these are material;</p> <p>(e) Provisions are disaggregated into provisions for employee benefits and other items; and</p> <p>(f) Components of net assets/equity are disaggregated into contributed capital, accumulated surpluses and deficits, and any reserves.</p>	
	...	
	<i>Surplus or Deficit for the Period</i>	
	...	
ED 78	<p>101. Other IPSASs deal with items that may meet definitions of revenue or expense set out in this Standard but are usually excluded from surplus or deficit. Examples include revaluation surpluses (see IPSAS 47[draft] <u>IPSAS [X] (ED 78)</u>), particular (a) gains and losses arising on translating the financial statements of a foreign operation (see IPSAS 4), and (b) gains or losses on remeasuring financial assets measured at fair value through net assets/equity (guidance on measurement of financial assets can be found in IPSAS 41).</p>	
	...	
	Information to be Presented either on the Face of the Statement of Financial Performance or in the Notes	
	...	
ED79	<p>107. Circumstances that would give rise to the separate disclosure of items of revenue and expense include:</p> <p>(a) Write-downs of inventories to net realizable value or of property, plant, and equipment to recoverable amount or recoverable service amount as appropriate, as well as reversals of such write-downs;</p>	

ED		Reason for change
	(b) ... (c) ... (d) ... (e) Discontinuing <u>Discontinued</u> operations; (f) ...	
	...	
	Statement of Changes in Net Assets/Equity	
	...	
ED 78	<p>125C. Reclassification adjustments do not arise on changes in revaluation surplus recognized in accordance with IPSAS 17 [draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31 or on remeasurements of defined benefit plans recognized in accordance with IPSAS 39. These components are recognized in net assets/equity and are not reclassified to surplus or deficit in subsequent periods. Changes in revaluation surplus may be transferred to accumulated surpluses or deficits in subsequent periods as the asset is used or when it is derecognized (see IPSAS 17 [draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31). In accordance with IPSAS 41, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) result in amounts that are removed from the cash flow hedge reserve or a separate component of net assets/equity, respectively, and included directly in the initial cost or other carrying amount of an asset or a liability. These amounts are directly transferred to assets or liabilities.</p>	
	...	
	Structure and Content	
	Notes	
	...	
	<i>Disclosure of Accounting Policies</i>	
ED 77	<p>133. It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realizable value, fair value, <u>cost of fulfillment, or current operational value</u> recoverable amount, or recoverable service amount), because the basis on which the financial statements are prepared significantly affects their</p>	

ED		Reason for change
	analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.	
ED 77 / ED 78	134. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IPSASs. An example is disclosure of whether an entity applies the <u>current value model</u> fair value or <u>historical cost</u> model to its investment property (see IPSAS 16, <i>Investment Property</i> .) Some IPSASs specifically require disclosure of particular accounting policies, including choices made by management between different policies allowed in those Standards. For example, IPSAS 17 [draft] <u>IPSAS [X] (ED 78)</u> requires disclosure of the measurement bases used for classes of property, plant, and equipment. IPSAS 5, <i>Borrowing Costs</i> , requires disclosure of whether borrowing costs are recognized immediately as an expense, or capitalized as part of the cost of qualifying assets.	
	<i>Key Sources of Estimation Uncertainty</i>	
	...	
ED77	143. The disclosures in paragraph 140 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the reporting date, they are measured at fair value based on <u>active market for an identical asset or liability</u> . Such fair values might change materially within the next financial year, but these change assumptions or other sources of estimation uncertainty at the reporting date).	IFRS 13
	...	
ED 78	148. The disclosure of some of the key assumptions that would otherwise be required in accordance with paragraph 140 is required by other IPSASs. For example, IPSAS 19 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IPSAS 30 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities	

ED		Reason for change
	that are carried at fair value. IPSAS 17 [draft] IPSAS [X] (ED 78) requires disclosure of significant assumptions <u>measurement techniques and inputs</u> applied in estimating <u>measuring</u> fair values and <u>current operational values</u> of revalued items of property, plant, and equipment.	
	...	
	Effective Date	
	...	
ED79	153Q. <u>Paragraphs 88, 102 and 107 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED78	153R. <u>Paragraphs 7, 92, 94, 101, 125C, 134, and 148 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
ED77	153S. <u>Paragraphs 133, 134, and 143 were amended by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in [Month] [Year] An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	Implementation Guidance	
	<i>This guidance accompanies, but is not part of, IPSAS 1.</i>	
	...	
	Public Sector Entity—Statement of Accounting Policies (Extract)	

ED		Reason for change																																																			
	...																																																				
	Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2																																																				
	(Illustrating the Classification of Expenses by Function)																																																				
ED79	<p>(in thousands of currency units)</p> <table> <tr> <th></th><th>20X2</th><th>20X1</th></tr> <tr> <td>Revenue</td><td></td><td></td></tr> <tr> <td>Taxes</td><td>X</td><td>X</td></tr> <tr> <td>...</td><td></td><td></td></tr> <tr> <td>Total revenue</td><td><u>X</u></td><td><u>X</u></td></tr> <tr> <td>Expenses</td><td></td><td></td></tr> <tr> <td>General public services</td><td>(X)</td><td>(X)</td></tr> <tr> <td>...</td><td></td><td></td></tr> <tr> <td>Total expenses</td><td><u>(X)</u></td><td><u>(X)</u></td></tr> <tr> <td>Share of surplus of associates*</td><td><u>X</u></td><td><u>X</u></td></tr> <tr> <td><u>Surplus/(deficit) for the period from continuing operations</u></td><td><u>X</u></td><td><u>X</u></td></tr> <tr> <td><u>Loss for the period from discontinued operations</u></td><td><u>(X)</u></td><td><u>(X)</u></td></tr> <tr> <td>Surplus/(deficit) for the period</td><td><u>X</u></td><td><u>X</u></td></tr> <tr> <td>Attributable to:</td><td></td><td></td></tr> <tr> <td>Owners of the controlling entity</td><td>X</td><td>X</td></tr> <tr> <td>Non-controlling interests</td><td><u>X</u></td><td><u>X</u></td></tr> <tr> <td></td><td>X</td><td>X</td></tr> </table> <p>* This means the share of associates' surplus attributable to owners of the associates, i.e., it is after tax and non-controlling interests in the associates.</p>		20X2	20X1	Revenue			Taxes	X	X	...			Total revenue	<u>X</u>	<u>X</u>	Expenses			General public services	(X)	(X)	...			Total expenses	<u>(X)</u>	<u>(X)</u>	Share of surplus of associates*	<u>X</u>	<u>X</u>	<u>Surplus/(deficit) for the period from continuing operations</u>	<u>X</u>	<u>X</u>	<u>Loss for the period from discontinued operations</u>	<u>(X)</u>	<u>(X)</u>	Surplus/(deficit) for the period	<u>X</u>	<u>X</u>	Attributable to:			Owners of the controlling entity	X	X	Non-controlling interests	<u>X</u>	<u>X</u>		X	X	
	20X2	20X1																																																			
Revenue																																																					
Taxes	X	X																																																			
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ED		Reason for change																																																
ED79	<p>Public Sector Entity—Statement of Financial Performance for the Year Ended December 31, 20X2 (Illustrating the Classification of Expenses by Nature) (in thousands of currency units)</p> <table> <tr> <th></th><th>20X2</th><th>20X1</th></tr> <tr> <td>Revenue</td><td></td><td></td></tr> <tr> <td>Taxes</td><td>X</td><td>X</td></tr> <tr> <td>...</td><td></td><td></td></tr> <tr> <td>Total Revenue</td><td>X</td><td>X</td></tr> <tr> <td>Expenses</td><td></td><td></td></tr> <tr> <td>Wages, salaries, and employee benefits</td><td>(X)</td><td>(X)</td></tr> <tr> <td>...</td><td></td><td></td></tr> <tr> <td>Total Expenses</td><td>(X)</td><td>(X)</td></tr> <tr> <td>Share of surplus of associates</td><td>X</td><td>X</td></tr> <tr> <td><u>Surplus/(deficit) for the period from continuing operations</u></td><td>(X)</td><td>X</td></tr> <tr> <td><u>Loss for the period from discontinued operations</u></td><td>(X)</td><td>(X)</td></tr> <tr> <td>Surplus/(deficit) for the period</td><td>(X)</td><td>X</td></tr> <tr> <td>Attributable to:</td><td></td><td></td></tr> <tr> <td>Owners of the controlling entity</td><td>(X)</td><td>X</td></tr> <tr> <td>Non-controlling interest</td><td>(X)</td><td>X</td></tr> </table>		20X2	20X1	Revenue			Taxes	X	X	...			Total Revenue	X	X	Expenses			Wages, salaries, and employee benefits	(X)	(X)	...			Total Expenses	(X)	(X)	Share of surplus of associates	X	X	<u>Surplus/(deficit) for the period from continuing operations</u>	(X)	X	<u>Loss for the period from discontinued operations</u>	(X)	(X)	Surplus/(deficit) for the period	(X)	X	Attributable to:			Owners of the controlling entity	(X)	X	Non-controlling interest	(X)	X	
	20X2	20X1																																																
Revenue																																																		
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	...																																																	
ED79	<p style="text-align: center;">Comparison with IAS 1</p> <p>IPSAS 1 is drawn primarily from IAS 1 (2003) and includes amendments made to IAS 1 as part of the Improvements to IFRSs issued in May 2008 and April 2009 respectively. At the time of initially issuing this Standard, the IPSASB has had not considered the applicability of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, to public sector entities; therefore IPSAS 1 does did not reflect amendments made to IAS 1 consequent upon the issuing of IFRS 5. The IPSASB has subsequently issued [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations in [MTH], [YEAR]. Therefore, all amendments made to IAS 1 from the issuance of IFRS 5 are now reflected in IPSAS 1. The main differences between IPSAS 1 and IAS 1 are as follows:</p>																																																	

ED		Reason for change
	Discussion on the application of the going concern concept to public sector entities has been included in IPSAS 1 compared to that in IAS 1	
ED78	Amendments to IPSAS 2, <i>Cash Flow Statements</i>	
ED78/ED79	Paragraph 22 is amended. Paragraphs 63I and 63K are added. New text is underlined, and deleted text is struck through.	
	Operating Activities	
	...	
ED78/ED79	<p>22. Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity. Examples of cash flows from operating activities are:</p> <ul style="list-style-type: none"> (a) Cash receipts from taxes, levies, and fines; (b) Cash receipts from charges for goods and services provided by the entity; (c) Cash receipts from grants or transfers and other appropriations or other budget authority made by central government or other public sector entities; (d) Cash receipts from royalties, fees, commissions, and other revenue; (da) Cash payments to beneficiaries of social benefit schemes; (e) Cash payments to other public sector entities to finance their operations (not including loans); (f) Cash payments to suppliers for goods and services; (g) Cash payments to and on behalf of employees; (h) Cash receipts and cash payments of an insurance entity for premiums and claims, annuities, and other policy benefits; (i) Cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities; (j) Cash receipts and payments from contracts held for dealing or trading purposes; (k) Cash receipts or payments from discontinuing <u>discontinued</u> operations; and (l) Cash receipts or payments in relation to litigation settlements. 	

ED		Reason for change
	Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to construct or acquire assets held for rental to others and subsequently held for sale as described in paragraph 62 of IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> , <i>Property, Plant, and Equipment</i> are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.	
	...	
	Effective Date	
	...	
ED79	<u>63I. Paragraph 22 was amended by [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED78	<u>63K. Paragraph 22 was amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors	
ED77/ED78	Paragraphs 22 and 57 are amended. Paragraphs 59E and 59F are added. New text is underlined, and deleted text is struck through.	
	...	
	Changes in Accounting Policies	
	...	
ED78	22. The initial application of a policy to revalue assets in accordance with IPSAS 17[draft] IPSAS [X] (ED 78),	

ED		Reason for change
	<p><i>Property, Plant, and Equipment</i>, or IPSAS 31, <i>Intangible Assets</i>, is a change in accounting policy to be dealt with as a revaluation in accordance with <u>IPSAS 17[draft] IPSAS [X] (ED 78)</u> or IPSAS 31, rather than in accordance with this Standard.</p>	
	<p>Impacticability in Respect of Retrospective Application and Retrospective Restatement</p>	
ED77	<p>57. Therefore, retrospectively applying a new accounting policy or correcting a prior period error requires distinguishing information that:</p> <p>(a) Provides evidence of circumstances that existed on the date(s) as at which the transaction, other event, or condition occurred; and</p> <p>(b) Would have been available when the financial statements for that prior period were authorized for issue;</p> <p>from other information. For some types of estimates (e.g., an estimate of a fair value <u>measurement that uses significant unobservable not based on an observable price or observable inputs</u>), it is impracticable to distinguish these types of information. When retrospective application or retrospective restatement would require making a significant estimate for which it is impossible to distinguish these two types of information, it is impracticable to apply the new accounting policy or correct the prior period error retrospectively.</p>	IFRS 13
	...	
	<p>Effective Date</p>	
ED78	<p><u>59E. Paragraph 22 was amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u></p>	
ED77	<p><u>59F. Paragraph 57 was amended by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in [Month] [Year] An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	<p>Implementation Guidance</p>	

ED		Reason for change
	...	
	Prospective Application of a Change in Accounting Policy When Retrospective Application is not Practicable	
	...	
ED78	IG14. During 20X2, the entity changed its accounting policy for depreciating property, plant, and equipment, so as to apply much more fully a components approach, while at the same time adopting the revaluation <u>current value</u> model.	
ED78	IG15. In years before 20X2, the entity's asset records were not sufficiently detailed to apply a components approach fully. At the end of year 20X1, management commissioned an engineering survey, which provided information on the components held and their fair <u>current operational</u> values, useful lives, estimated residual values, and depreciable amounts at the beginning of 20X2. However, the survey did not provide a sufficient basis for reliably estimating the cost of those components that had not previously been accounted for separately, and the existing records before the survey did not permit this information to be reconstructed.	
ED78	IG16. Management considered how to account for each of the two aspects of the accounting change. They determined that it was not practicable to account for the change to a fuller components approach retrospectively, or to account for that change prospectively from any earlier date than the start of 20X2. Also, the change from a <u>historical</u> cost model to a revaluation <u>current value</u> model is required to be accounted for prospectively. Therefore, management concluded that it should apply the entity's new policy prospectively from the start of 20X2.	
	...	
	<i>Extracts from Notes to the Financial Statements</i>	
ED78	1. From the start of 20X2, the entity changed its accounting policy for depreciating property, plant, and equipment, so as to apply much more fully a components approach, while at the same time adopting the revaluation <u>current value</u> model. Management takes the view that this policy provides faithfully representative and more relevant information, because it deals more accurately with the components of property, plant, and equipment and is based on up-to-date values. The policy has been applied prospectively from the start of 20X2, because it was not	

ED		Reason for change
	<p>practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date.</p> <p>Accordingly, the adopting of the new policy has no effect on prior periods. The effect on the current year is to (a) increase the carrying amount of property, plant, and equipment at the start of the year by CU6,000, (b) create a revaluation reserve at the start of the year of CU6,000, and (c) increase depreciation expense by CU500.</p>	
	...	
	Amendments to IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>	
ED77/ED78	Paragraphs 27, 28, 36 and A5 are amended. Paragraphs 71G and 71H are added. New text is underlined, and deleted text is struck through.	
	...	
	Reporting Foreign Currency Transactions in the Functional Currency	
	Reporting at Subsequent Reporting Dates	
ED 77	<p>27. At each reporting date:</p> <p>(a) Foreign currency monetary items shall be translated using the closing rate;</p> <p>(b) Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and</p> <p>(c) Non-monetary items that are measured at fair value <u>or current operational value</u> in a foreign currency shall be translated using the exchange rates at the date when the fair value or current operational value was <u>measured determined</u>.</p>	<p>Push ED 77 Principles</p> <p>IFRS 13</p>
	Reporting at Subsequent Reporting Dates	
	...	
ED78	<p>28. The carrying amount of an item is determined in conjunction with other relevant IPSASs. For example, property, plant, and equipment may be measured in terms of fair value <u>or current operational value</u> or historical cost in accordance with IPSAS 47[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>. Whether the carrying amount is determined on the basis of historical cost or on the basis of fair value <u>or current operational value</u>, if the amount is determined in a foreign currency, it is then</p>	

ED		Reason for change
	translated into the functional currency in accordance with this Standard.	
	...	
	Recognition of Exchange Differences	
	...	
ED78	36. Other IPSASs require some gains and losses to be recognized directly in net assets/equity. For example, IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> requires some gains and losses arising on a revaluation of property, plant, and equipment to be recognized directly in net assets/equity. When such an asset is measured in a foreign currency, paragraph 27(c) of this Standard requires the revalued amount to be translated using the rate at the date the value is determined, resulting in an exchange difference that is also recognized in net assets/equity.	
	...	
	Effective Date	
	...	
ED78	71G. Paragraphs 28 and 36 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.	
ED77	71H. Paragraphs 27 and A5 were amended, by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in [Month] [Year] An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.	
	Illustrative Examples	
	...	
	Foreign Currency Transactions and Advance Consideration	
	...	

ED		Reason for change
ED 78	<p>IE4. On April 15, 20X1, Entity A takes delivery of the machine. Entity A derecognizes the non-monetary asset and recognizes the machine as property, plant, and equipment applying IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u>. On initial recognition of the machine, Entity A recognizes the cost of the machine using the exchange rate at the date of the transaction, which is April 1 20X1 (the date of initial recognition of the non-monetary asset).</p>	
	...	
	Appendix A	
	Foreign Currency Transactions and Advance Consideration	
	<i>This Appendix is an integral part of IPSAS 4.</i>	
	...	
	Scope	
ED 77	<p>A5. This Appendix does not apply when an entity measures the related asset, expense or revenue on initial recognition:</p> <p>(a) At fair value <u>or current operational value</u>; or</p>	
	...	
	Amendments to IPSAS 9, Revenue from Exchange Transactions	
ED77	Paragraph 11 is amended. Paragraph 41E is added. New text is underlined, and deleted text is struck through.	
	...	
	Definitions	
ED 77	<p>11. The following terms are used in this Standard with the meanings specified:</p> <p><u>Exchange transactions</u> are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.</p> <p>Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</p> <p><u>Non-exchange transactions</u> are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.</p> <p>Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published</p>	

ED		Reason for change
	separately. Fair value is defined in [draft] IPSAS [X] (ED 77), <u>Measurement</u> .	
	...	
	Effective date	
ED 77	41E. <u>[Draft] IPSAS [X] (ED 77), Measurement, issued in Month YYYY, includes a new definition of fair value that replaces the definition previously found in paragraph 11. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY it apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	Amendments to IPSAS 10, Financial Reporting in a Hyperinflationary Economy	
ED77	Paragraph 31 is amended. Paragraph 38G is added. New text is underlined, and deleted text is struck through.	
	...	
	The Restatement of Financial Statements	
	Corresponding Figures	
ED77	31. Corresponding figures for the previous reporting period, whether they were based on a historical cost approach model or a current cost approach <u>value model</u> are restated by applying a general price index, so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 47(b) and 48 of IPSAS 4 apply.	Push ED 77 Principles
	...	
	Effective Date	
ED77	38G. <u>Paragraph 31 was amended by [draft] IPSAS [X] (ED 77), Measurement issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	

ED		Reason for change
	...	
	Amendments to IPSAS 12, <i>Inventories</i>	
ED77/ED78	Paragraphs 10 and 14A are amended. Paragraphs 50A–50F, 51J and 51K are added. New text is underlined, and deleted text is struck through.	
	...	
	Definitions	
	...	
	Net Realizable Value	
ED 77	10. Net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of operations. <u>Fair value reflects the price at which an orderly transaction to sell the same inventory in the principal (or most advantageous) market for that inventory would take place between market participants at the measurement date.</u> The former is an entity-specific value; the latter is not. Net realizable value for inventories may not equal fair value less costs to of disposal	Push ED 77 Principles
	...	
	Inventories	
	...	
ED 78	14A. Military inventories consist of single-use items, such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. However, some types of missiles may be accounted for in accordance with IPSAS 17 [draft] <u>IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u> , if they satisfy the criteria to be classified in that standard.	
	...	
	Disclosure	
	...	
	Current Value Measurement	
ED77	50A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following: (a) For inventories that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements. (b) For recurring fair value measurements using significant	Paragraph 50A deleted in March 2022. See agenda item 9.2.5. Consolidates generic measurement disclosures

ED		Reason for change
	<p>unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</p>	<p>in IPSAS Measurement</p>
ED77	<p>50B. [Deleted] To meet the objectives in paragraph 50A, an entity shall consider all the following:</p> <ul style="list-style-type: none"> (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. <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 50A, an entity shall disclose additional information necessary to meet those objectives.</p>	<p>Paragraph 50B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>50C. To meet the objectives in paragraph 50A, aAn entity shall disclose, at a minimum, the following information for each class of inventories (see paragraph 50D for information on determining appropriate classes of inventories) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:</p> <ul style="list-style-type: none"> (a) For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of inventories are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of inventories are those that this Standard requires or permits in the statement of financial position in particular circumstances. (b) For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). (c) For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value 	

ED		Reason for change
	<p><u>hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. 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 fair value measurement and are reasonably available to the entity.</u></p> <p>(d) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring fair value 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:</u></p> <p>(i) <u>Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p>(ii) <u>Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p>(iii) <u>Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p>(e) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring fair value measurements estimated using unobservable inputs, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those inventories held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p>(f) <u>For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring and non-recurring fair value measurements estimated using unobservable inputs, 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 fair value measurements from period to period).</u></p> <p>(g) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p>(i) <u>For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement.</u></p>	

ED		Reason for change
	<p><u>If there are interrelationships between those inputs and other unobservable inputs used in the 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 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 (c).</u></p>	
ED77	<p><u>50D. An entity shall determine appropriate classes of fair value on the basis of the following:</u></p> <p>(a) <u> The nature, characteristics and risks of the inventories; and</u></p> <p>(b) <u> The level of the fair value hierarchy within which the fair value measurement is categorized.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of inventories for which disclosures about fair value measurements should be provided requires judgement. A class of inventories 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 IPSAS specifies the class for an inventory, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p><u>50E For each class of inventories not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 50C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, required by paragraph 50C(c). For such inventories, an entity does not need to provide the other disclosures required by this Standard.</u></p>	
ED77	<p><u>50F An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u></p>	
	...	
	Effective Date	

ED		Reason for change
	...	
ED78	51J. Paragraph 14A was amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.	
ED77	51K. Paragraph 10 was amended, and paragraphs 50A–50F were added by [draft] IPSAS [X] (ED 77), Measurement, issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.	
	...	
	Basis for Conclusions	
	This Basis for Conclusions accompanies, but is not part of, IPSAS 12.	
	<u>Revision of IPSAS 12 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC9. The IPSASB developed [draft] IPSAS [X] (ED 77), to ensure that measurement bases were applied consistently to all transactions. This pronouncement amends IPSAS 12 by <ul style="list-style-type: none"> (a) <u>Updating the definition of fair value to clarify its application across IPSAS and align with IFRS; and</u> (b) <u>Adding fair value disclosure requirements to help users assess the measurement techniques and inputs used to measure inventory at fair value and the effect on surplus or deficit or net assets/equity for the period.</u> <p>The reasons for these changes are set out in the Basis for Conclusions to [draft] IPSAS [X] (ED 77).</p>	
ED77	BC10. [Draft] IPSAS [X], ED 77 also introduced a public sector specific measurement basis applicable to assets held for their operational capacity. As part of its review of all measurement bases in its literature, the IPSASB considered whether current operational value should be added to, or replace, an existing measurement basis in this Standard.	
ED77	BC11. The IPSASB agreed to retain the current measurement bases in this Standard. The IPSASB specifically noted current	

ED		Reason for change
	<p><u>replacement cost, which shares some characteristics with current operational value, should be retained, and not replaced in this Standard because when [Draft] IPSAS [X], ED 77 was issued, the IPSASB was not aware of any issues in practice when applying current replacement cost to inventory. The IPSASB agreed any changes to a specific measurement basis in this Standard should be considered as part of a standalone project related to this IPSAS. This allows stakeholders to clearly consider the implications of the proposal.</u></p>	
	Amendments to IPSAS 14, <i>Events after the Reporting Date</i>	
ED79	Paragraph 31 is amended and paragraph 32G is added. New text is underlined, and deleted text is struck through.	
	...	
	Disclosure	
	...	
	Disclosure of Non-adjusting Events after the Reporting Date	
	...	
ED79	<p>31. The following are examples of non-adjusting events after the reporting date that would generally result in disclosure:</p> <p>(a) An unusually large decline in the value of property carried at fair value, where that decline is unrelated to the condition of the property at reporting date, but is due to circumstances that have arisen since the reporting date;</p> <p>...</p> <p>(d) Announcing a plan to discontinue an operation or major program, disposing of assets, or settling liabilities attributable to a discontinued operation or major program, or entering into binding agreements to sell such assets or settle such liabilities;</p> <p>(e) Major purchases and disposals of assets; <u>classification of assets as held for sale in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>, other disposals of assets, or expropriation of major assets by other public sector entities;</u></p> <p>(f) ...</p>	
	...	
	Effective Date	
	...	

ED		Reason for change
ED79	<p>32G. Paragraph 31 was amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</p>	
	...	
	Basis for Conclusions	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 14.</i>	
	...	
	Revision of IPSAS 14 as a result of Part II of <i>Improvements to IPSASs 2015</i>: issues raised by stakeholders	
ED79	<p>BC8. <u>When IPSAS 14 was revised as a result of Part II of <i>Improvements to IPSASs 2015</i> Stakeholders</u>stakeholders had indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB <u>had</u> concluded that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, may <u>might</u> only be appropriate for the public sector in certain circumstances, for the following reasons:</p> <p>(a) Sales of assets in the public sector may <u>might</u> not be completed within one year because of the levels of approval required. This raises <u>had raised</u> questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes <u>had noted</u> that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB hads concerns that not depreciating assets for an extended period of time may <u>might</u> be inappropriate.</p> <p>(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may <u>might</u> not provide relevant information for these transfers. However, the IPSASB recognizes <u>had recognized</u> that the measurement and disclosure requirements in IFRS 5 may <u>might</u> be appropriate where sales are intended to take place at fair value.</p> <p>(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations</p>	

ED		Reason for change
	<p>that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may <u>might</u> not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes <u>had recognized</u> that the disclosure requirements in IFRS 5 may <u>might</u> be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.</p> <p>Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may <u>might</u> result in entities following the requirements of IFRS 5 in circumstances where this may <u>might</u> not be appropriate. The IPSASB <u>had</u> noted that IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.</p>	
ED79	<p><u>BC8A. In developing [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS 5. As a result, all the relevant references have been added.</u></p>	
	...	
	Amendments to IPSAS 16, <i>Investment Property</i>	
ED77/ED78/ED79	<p>Paragraphs 6, 8, 10, 13, 19, 33, 35, 38, 39, 40, 41, 49, 50, 57, 59, 62, 62A, 62B, 63, 65, 70-73, 79, 85, 86, 87, 89, 90, and 97 are amended. Paragraphs 89A–89F, 101J, 101L, and 101M are added. Paragraphs 45, 48, 51, 56, 58, and 60 are deleted. New text is underlined, and deleted text is struck through.</p>	
	...	
	Scope	
ED78	<p>6. This Standard does not apply to:</p> <p>(a) Biological assets related to agricultural activity (see IPSAS 27, <i>Agriculture</i> and IPSAS 17 <u>[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u>); and</p>	

ED		Reason for change
	(b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources.	
	...	
	Classification of Property as Investment Property or Owner-Occupied Property	
ED78	8. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, (a) the property would otherwise meet the definition of an investment property, and (b) the lessee uses the fair <u>current</u> value model set out in paragraphs 42–64 for the asset recognized. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair <u>current</u> value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 85–89.	
	Classification of Property as Investment Property or Owner-Occupied Property	
	...	
ED78	10. Investment property is held to earn rentals or for capital appreciation, or both. Therefore, investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from other land or buildings controlled by public sector entities, including owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) can also generate cash flows. For example, public sector entities may use a building to provide goods and services to recipients in return for full or partial cost recovery. However, the building is held to facilitate the production of goods and services, and the cash flows are attributable not only to the building, but also to other assets used in the production or supply process. IPSAS 47[draft] <u>IPSAS [X] (ED 78)</u> applies to owner-occupied property.	
	...	
ED78	13. The following are examples of items that are not investment property and are therefore outside the scope of this Standard: (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale (see IPSAS 12, <i>Inventories</i>). For example, a municipal government may routinely supplement rate income by	

ED		Reason for change
	<p>buying and selling property, in which case property held exclusively with a view to subsequent disposal in the near future or for development for resale is classified as inventory. A housing department may routinely sell part of its housing stock in the ordinary course of its operations as a result of changing demographics, in which case any housing stock held for sale is classified as inventory.</p> <p>(b) Property being constructed or developed on behalf of third parties. For example, a property and service department may enter into construction contracts with entities external to its government (see IPSAS 11, <i>Construction Contracts</i>).</p> <p>(c) Owner-occupied property (see IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for military personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.</p> <p>(d) [Deleted]</p> <p>(e) Property that is leased to another entity under a finance lease.</p> <p>(f) Property held to provide a social service and which also generates cash inflows. For example, a housing department may hold a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an “investment property” and would be accounted for in accordance with IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>.</p> <p>(g) Property held for strategic purposes which would be accounted for in accordance with IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>.</p>	
	...	
ED78	<p>19. In some cases, an entity owns property that is leased to, and occupied by, its controlling entity or another controlled entity. The property does not qualify as investment property in consolidated financial statements, because the property is owner-occupied from the perspective of the economic entity. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition in paragraph 7. Therefore, the</p>	

ED		Reason for change
	<p>lessor treats the property as investment property in its individual financial statements. This situation may arise where a government establishes a property management entity to manage government office buildings. The buildings are then leased out to other government entities on a commercial basis. In the financial statements of the property management entity, the property would be accounted for as investment property. However, in the consolidated financial statements of the government, the property would be accounted for as property, plant, and equipment in accordance with IPSAS 17<u>[draft] IPSAS [X]</u> (ED 78).</p>	
	...	
	Measurement at Recognition	
	...	
ED77/ED78	<p>33. Where an entity initially recognizes its investment property at fair value in accordance with paragraph 27, the fair value is the cost of the property. The entity shall decide, subsequent to initial recognition, to adopt either the fair <u>current</u> value model (paragraphs 42–64) or the <u>historical</u> cost model (paragraph 65).</p>	
	...	
ED77	<p>35. Any premium paid for a lease is treated as part of the minimum lease payments for this purpose, and is therefore included in the cost of the asset, but is excluded from the liability. If a property interest held under a lease is classified as investment property, the item accounted for at fair value is that interest and not the underlying property. Guidance on <u>measuring</u> determining the fair value of a property interest is set out for the fair value model in paragraphs 42–61. That guidance is also relevant to the determination of fair value when that value is used as cost for initial recognition purposes.</p>	IFRS 13
	...	
ED77	<p>38. The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value <u>measurements</u> estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used <u>when measuring</u> in estimating fair value. If the entity is able to <u>measure</u> determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.</p>	IFRS 13

ED		Reason for change
	Measurement after Recognition	
	Accounting Policy	
ED78	39. With the exception noted in paragraph 43, an entity shall choose as its accounting policy either the fair value model in paragraphs 42-64 or the <u>historical</u> cost model in paragraph 65, and shall apply that policy to all of its investment property.	
	Measurement after Recognition	
	Accounting Policy	
ED77/ED78	40. IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing faithfully representative and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the <u>fair current</u> value model to the <u>historical</u> cost model will result in a more relevant presentation.	
ED77/ED78	41. This Standard requires all entities to <u>measure</u> the fair value of investment property, for the purpose of either measurement (if the entity uses the current value model) or disclosure (if it uses the <u>historical</u> cost model). An entity is encouraged, but not required, to <u>measure</u> determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.	IFRS 13
	Current Value Model	
	...	
ED77	45. The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction (see paragraph 7). Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. [Deleted]	IFRS 13
ED77	46. An entity determines fair value without any deduction for transaction costs it may incur on sale or other disposal. [Deleted]	IFRS 13

ED		Reason for change
ED77	47. The fair value of investment property shall reflect market conditions at the reporting date. [Deleted]	IFRS 13
ED77	48. Fair value is time-specific as of a given date. Because market conditions may change, the amount reported as fair value may be incorrect or inappropriate if estimated as of another time. The definition of fair value also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might be made in an arm's length transaction between knowledgeable, willing parties if exchange and completion are not simultaneous. [Deleted]	IFRS 13
ED77	49. When measuring the The fair value of investment property <u>in accordance with Appendix A of [draft] IPSAS [X] (ED 77), an entity shall ensure that the fair value reflects, among other things, rental revenue from current leases and other reasonable and supportable assumptions that represent what knowledgeable, willing parties market participants would use when pricing the investment property assume about rental revenue from future leases in the light of under current market conditions. It also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. Some of those outflows are reflected in the liability whereas others relate to outflows that are not recognized in the financial statements until a later date (e.g. periodic payments such as contingent rents).</u>	IFRS 13
ED77	50. Paragraph 34 specifies the basis for initial recognition of the cost of an interest in a leased property. Paragraph 42 requires the interest in the leased property to be remeasured, if necessary, to fair value. In a lease negotiated at market rates, the fair value of an interest in a leased property at acquisition, net of all expected lease payments (including those relating to recognized liabilities), should be zero. This fair value does not change regardless of whether, for accounting purposes, a leased asset and liability are recognized at fair value or at the present value of minimum lease payments, in accordance with paragraph 28 of IPSAS 13. Thus, remeasuring a leased asset from cost in accordance with paragraph 34 to fair value in accordance with paragraph 42 should not give rise to any initial gain or loss, unless fair value is measured at different times. This could occur when an election to apply the fair current value model is made after initial recognition.	
ED77	51. The definition of fair value refers to "knowledgeable, willing parties". In this context, "knowledgeable" means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the investment property, its actual and potential uses, and market conditions at the	IFRS 13

ED		Reason for change
	reporting date. A willing buyer is motivated, but not compelled, to buy. This buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable, willing buyers and sellers would require. <u>[Deleted]</u>	
ED77	52. A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the investment property at market terms for the best price obtainable. The factual circumstances of the actual investment property owner are not a part of this consideration because the willing seller is a hypothetical owner (e.g., a willing seller would not take into account the particular tax circumstances of the actual investment property owner). <u>[Deleted]</u>	IFRS 13
ED77	53. The definition of fair value refers to an arm's length transaction. An arm's length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently. <u>[Deleted]</u>	IFRS 13
ED77	54. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts. An entity takes care to identify any differences in the nature, location, or condition of the property, or in the contractual terms of the leases and other contracts relating to the property. <u>[Deleted]</u>	IFRS 13
ED77	55. In the absence of current prices in an active market of the kind described in paragraph 54, an entity considers information from a variety of sources, including: (a) Current prices in an active market for properties of different nature, condition, or location (or subject to different lease or other contracts), adjusted to reflect those differences; (b) Recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) Discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence, such as current market rents for similar properties in the same location and condition, and using discount rates	IFRS 13

ED		Reason for change
	that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. [Deleted]	
ED77	56. In some cases, the various sources listed in the previous paragraph may suggest different conclusions about the fair value of an investment property. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a range of reasonable fair value estimates. [Deleted]	IFRS 13
ED77	57. In exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes an investment property after a change in use) that the variability in the range of reasonable fair value measurements estimates will be so great, and the probabilities of the various outcomes so difficult to assess, that the usefulness of a single measure estimate of fair value is negated. This may indicate that the fair value of the property will not be reliably measurable determinable on a continuing basis (see paragraph 62).	IFRS 13
ED77	58. Fair value differs from value in use, as defined in IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets. Fair value reflects the knowledge and estimates of knowledgeable, willing buyers and sellers. In contrast, value in use reflects the entity's estimates, including the effects of factors that may be specific to the entity and not applicable to entities in general. For example, fair value does not reflect any of the following factors, to the extent that they would not be generally available to knowledgeable, willing buyers and sellers: (a) Additional value derived from the creation of a portfolio of properties in different locations; (b) Synergies between investment property and other assets; (c) Legal rights or legal restrictions that are specific only to the current owner; and (d) Tax benefits or tax burdens that are specific to the current owner. [Deleted]	IFRS 13
ED77	59. In determining the carrying amount of investment property under the fair current value model, an entity does not double-count assets or liabilities that are recognized as separate assets or liabilities. For example: (a) Equipment such as elevators or air-conditioning is often an integral part of a building and is generally included in the fair value of the investment property, rather than recognized separately as property, plant, and equipment.	

ED		Reason for change
	<p>(b) If an office is leased on a furnished basis, the fair value of the office generally includes the fair value of the furniture, because the rental revenue relates to the furnished office. When furniture is included in the fair value of investment property, an entity does not recognize that furniture as a separate asset.</p> <p>(c) The fair value of investment property excludes prepaid or accrued operating lease revenue, because the entity recognizes it as a separate liability or asset.</p> <p>(d) The fair value of investment property held under a lease reflects expected cash flows (including contingent rent that is expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognized lease liability, to arrive at the carrying amount of the investment property using the fair current value model.</p>	
ED77	<p>60. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. [Deleted]</p>	IFRS 13
	...	
ED77/ED78	<p>Inability to Determine <u>Measure</u> Fair Value Reliably</p> <p>62. There is a rebuttable presumption that an entity can reliably <u>measure</u> determine the fair value of an investment property on a continuing basis. However, in exceptional cases, there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property after a change in use) that the fair value of the investment property is not reliably <u>measurable</u> determinable on a continuing basis. This arises when, and only when, <u>the market for comparable properties is inactive (e.g., there are few recent market transactions, price quotations are not current or observed transaction prices indicate that the seller was forced to sell)</u> are infrequent and alternative reliable <u>measurements</u> estimates of fair value (for example, based on discounted cash flow projections) are not available. If an entity determines that the fair value of an investment property under construction is not reliably <u>measurable</u> determinable but expects the fair value of the property to be reliably <u>measurable</u> determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably <u>measurable</u> determinable or construction is completed (whichever is earlier). If an entity determines that the fair value of an investment property (other than an</p>	

ED		Reason for change
	investment property under construction) is not reliably measurable determinable on a continuing basis, the entity shall measure that investment property using the <u>historical cost model in IPSAS 17 [draft] IPSAS [X] (ED 78)</u> . The residual value of the investment property shall be assumed to be zero. The entity shall apply <u>IPSAS 17 [draft] IPSAS [X] (ED 78)</u> until disposal of the investment property.	
ED78	62A. Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, in accordance with paragraph 62, the property shall be accounted for using the <u>historical cost model in accordance with IPSAS 17 [draft] IPSAS [X] (ED 78)</u> .	
ED77	62B. The presumption that the fair value of investment property under construction can be measured reliably can be rebutted only on initial recognition. An entity that has measured an item of investment property under construction at fair value may not conclude that the fair value of the completed investment property cannot be measured determined reliably.	IFRS 13
ED78	63. In the exceptional cases when an entity is compelled, for the reason given in paragraph 62, to measure an investment property using the <u>historical cost model in accordance with IPSAS 17 [draft] IPSAS [X] (ED 78)</u> , it measures at fair value all its other investment property, including investment property under construction. In these cases, although an entity may use the <u>historical cost model for one investment property</u> , the entity shall continue to account for each of the remaining properties using the fair value model.	
	...	
	<u>Historical Cost Model</u>	
ED78/ED79	<p>65. After initial recognition, an entity that chooses the <u>historical cost model</u> shall measure all of its investment property:</p> <p>(a) <u>In accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> if it meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale);</u></p> <p>(a)(b) In accordance with [draft] IPSAS [X] (ED 75) <i>Leases</i>, if it is held by a lessee as a right-of-use asset and is not held for sale in accordance with [draft] IPSAS [X] (ED 79); and</p>	

ED		Reason for change
	(b)(c) In accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> 's requirements for that model, i.e., at cost less any accumulated depreciation and any accumulated impairment losses.	
	...	
	Transfers	
	...	
ED78	70. Paragraphs 71–76 apply to recognition and measurement issues that arise when an entity uses the fair value model for investment property. When an entity uses the <u>historical</u> cost model, transfers between investment property, owner-occupied property, and inventories do not change the carrying amount of the property transferred, and they do not change the cost of that property for measurement or disclosure purposes.	
ED78	71. For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's cost for subsequent accounting in accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> or IPSAS 12, shall be its fair value at the date of change in use.	
ED78	72. If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply IPSAS 17 <u>IPSAS [X] (ED 78)</u> up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> , and its fair value in the same way as a revaluation in accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> .	
ED78	73. Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property and recognizes any impairment losses that have occurred. The entity treats any difference at that date between the carrying amount of the property in accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> , and its fair value in the same way as a revaluation in accordance with IPSAS 17 <u>IPSAS [X] (ED 78)</u> . In other words:	
	...	
	Disposals	
	...	
ED78	79. If, in accordance with the recognition principle in paragraph 20, an entity recognizes in the carrying amount of an asset the cost of a replacement for part of an investment	

ED		Reason for change
	<p>property, it derecognizes the carrying amount of the replaced part. For investment property accounted for using the <u>historical</u> cost model, a replaced part may not be a part that was depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. Under the fair value model, the fair value of the investment property may already reflect that the part to be replaced has lost its value. In other cases, it may be difficult to discern how much fair value should be reduced for the part being replaced. An alternative to reducing fair value for the replaced part, when it is not practical to do so, is to include the cost of the replacement in the carrying amount of the asset and then to reassess the fair value, as would be required for additions not involving replacement.</p>	
	...	
	Disclosure	
	Fair Value Model and <u>Historical</u> Cost Model	
	...	
ED77/ED78	<p>86. An entity shall disclose:</p> <ul style="list-style-type: none"> (a) Whether it applies the current value or the <u>historical</u> cost model; (b) If it applies the current value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property; (c) When classification is difficult (see paragraph 18), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations; (d) The methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence, or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data; (e) ... 	
ED79	<p>87. In addition to the disclosures required by paragraph 86, an entity that applies the fair value model in paragraphs 42–64</p>	

ED		Reason for change
	<p>shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:</p> <p>(a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized in the carrying amount of an asset;</p> <p>...</p> <p>(c) Disposals <u>Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals;</u></p> <p>(d) ...</p>	
	...	
	Current Value Model	
	...	
ED77/ED78	<p>89. In the exceptional cases referred to in paragraph 62, when an entity measures investment property using the <u>historical cost model in IPSAS 17 [draft] IPSAS [X] (ED 78)</u>, the reconciliation required by paragraph 87 shall disclose amounts relating to that investment property separately from amounts relating to other investment property. In addition, an entity shall disclose:</p> <p>(b) An explanation of why fair value cannot be <u>measured</u> determined reliably;</p>	IFRS 13
	Current Value Measurement	
ED77	<p>89A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p>(a) For investment properties that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements.</p> <p>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</p>	<p>Paragraph 89A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>89B. [Deleted] To meet the objectives in paragraph 89A, an entity shall consider all the following:</p>	<p>Paragraph 89B deleted in March</p>

ED		Reason for change
	<p>(a) The level of detail necessary to satisfy the disclosure requirements;</p> <p>(b) How much emphasis to place on each of the various requirements;</p> <p>(c) How much aggregation or disaggregation to undertake; and</p> <p>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 89A, an entity shall disclose additional information necessary to meet those objectives.</p>	<p>2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p><u>89C. To meet the objectives in paragraph 89A, aAn entity shall disclose, at a minimum, the following information for each class of investment properties (see paragraph 89D for information on determining appropriate classes of investment properties) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:</u></p> <p><u>(a) For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of investment properties are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of investment properties are those that this Standard requires or permits in the statement of financial position in particular circumstances.</u></p> <p><u>(b) For recurring and non-recurring fair value measurements, whether the fair value measurements are estimated using observable or unobservable inputs. For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u></p> <p><u>(c) For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing</u></p>	

ED		Reason for change
	<p><u>from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. 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 fair value measurement and are reasonably available to the entity.</u></p> <p><u>(d) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p><u>(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p><u>(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p><u>(iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p><u>(e) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those investment properties held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p><u>(f) For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and</u></p>	

ED		Reason for change
	<p><u>analyses changes in fair value measurements from period to period).</u></p> <p><u>(g) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p><u>(i) For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the 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 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 (c).</u></p>	
ED77	<p><u>89D. An entity shall determine appropriate classes of investment properties on the basis of the following:</u></p> <p><u>(a) The nature, characteristics and risks of the investment properties]; and</u></p> <p><u>(b) The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the fair value is observable or unobservable.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of investment properties for which disclosures about fair value measurements should be provided requires judgement. A class of investment properties 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 IPSAS specifies the class for an investment property, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p><u>89E For each class of investment properties not measured at fair value in the statement of financial position but for which the</u></p>	

ED		Reason for change
	<p><u>fair value is disclosed, an entity shall disclose the information required by paragraph 89C(b), (c) and (i). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 89C(c). For such investment properties, an entity does not need to provide the other disclosures required by this Standard.</u></p>	
ED77	<p>89F <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u></p>	
	<p><u>Historical</u> Cost Model</p>	
ED77/ED78/ED79	<p>90. In addition to the disclosures required by paragraph 86, an entity that applies the <u>historical</u> cost model in paragraph 65 shall disclose:</p> <p>...</p> <p>(d) The reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:</p> <ul style="list-style-type: none"> (i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognized as an asset; (ii) Additions resulting from acquisitions through public sector combinations; (iii) Disposals <u>Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals;</u> (iv) ... <p>(e) The fair value of investment property. In the exceptional cases described in paragraph 62, when an entity cannot measure the fair value of the investment property reliably, the entity shall disclose:</p> <ul style="list-style-type: none"> (ii) An explanation of why fair value cannot be <u>measured determined</u> reliably; and <p>...</p>	IFRS 13
	<p>...</p>	
	<p>Transitional Provisions</p>	
	<p>Current Value Model</p>	

ED		Reason for change
	...	
ED77	<p>97. An entity that (a) has previously applied IPSAS 16 (2001), and (b) elects for the first time to classify and account for some or all eligible property interests held under operating leases as investment property, shall recognize the effect of that election as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the election is first made. In addition:</p> <p>(a) If the entity has previously disclosed publicly (in financial statements or otherwise) the fair value of its investment property in earlier periods (measured on a basis that satisfies the definition of fair value [draft] IPSAS [X] (ED 77) and the guidance in paragraphs 45–61),), Appendix A of [draft] IPSAS [X] (ED 77)), the entity is encouraged, but not required:</p> <p>(i) To adjust the opening balance of accumulated surpluses or deficits for the earliest period presented for which such fair value was disclosed publicly; and</p> <p>(ii) To restate comparative information for those periods; and</p> <p>(b) If the entity has not previously disclosed publicly the information described in (a), it shall not restate comparative information and shall disclose that fact.</p>	
	...	
	Effective Date	
	...	
ED79	<p><u>101J. Paragraphs 65, 87 and 90 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u></p>	
ED78	<p><u>101L. Paragraphs 6, 10, 13, 19, 33, 39-41, 62, 62A, 63, 65, 70-73, 79, 85, 86, 89, and 90 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u></p>	

ED		Reason for change
ED77	<p>101M. <u>Paragraphs 8, 33, 35, 38, 40, 41 49,50, 57,59, 62, 62B, 70, 86, 89A-89F, were added, and paragraphs 45, , 48, 51, 56, 58, and 60 were deleted by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
ED78/ED79	<p style="text-align: center;">Comparison with IAS 40</p> <p>IPSAS 16 is drawn primarily from IAS 40 (2003), <i>Investment Property</i> and includes amendments made to IAS 40 as part of the <i>Improvements to IFRSs</i> issued in May 2008. At the time of <u>initially</u> issuing this Standard, the IPSASB has had not considered the applicability of IFRS 4, <i>Insurance Contracts</i>, and IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, to public sector entities; therefore IPSAS 16 does did not reflect amendments made to IAS 40 consequent upon the issue of those IFRSs. <u>The IPSASB has subsequently issued [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for sale and Discontinued Operations</i> in [MTH], [YEAR]. Therefore, all amendments made to IAS 40 from the issuance of IFRS 5 are now reflected in IPSAS 16.</u> The main differences between IPSAS 16 and IAS 40 are as follows:</p> <ul style="list-style-type: none"> • IPSAS 16 requires that investment property initially be measured at cost and specifies that where an asset is acquired for no cost or for a nominal cost, its cost is its fair value as at the date of acquisition. IAS 40 requires investment property to be initially measured at cost. • There is additional commentary to make clear that IPSAS 16 does not apply to property held to deliver a social service that also generates cash inflows. Such property is accounted for in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u>. • IPSAS 16 contains transitional provisions for both the first time adoption and changeover from the previous version of IPSAS 16. IAS 40 only contains transitional provisions for entities that have already used IFRSs. IFRS 1 deals with first time adoption of IFRSs. IPSAS 16 includes additional transitional provisions that specify that when an entity adopts the accrual basis of accounting for the first time and recognizes investment property that was previously unrecognized, the adjustment should be reported in the opening balance of accumulated surpluses or deficits. • IPSAS 16 uses different terminology, in certain instances, from IAS 40. The most significant example is the use of the term “statement of financial performance” in IPSAS 16. The equivalent term in IAS 40 is “income statement.” 	

ED		Reason for change
	<ul style="list-style-type: none"> IPSAS 16 does not use the term “income” which in IAS 40 has a broader meaning than the term “revenue.” 	
	...	
	Basis for Conclusions	
	...	
	<u>Revision of IPSAS 16 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC12. <u>[Draft] IPSAS [X] (ED 77), Measurement, issued in [Month] [Year], provides generic guidance on the initial and subsequent measurement of assets, to ensure a consistent approach across all IPSAS. The IPSASB agreed to update measurement terminology and disclosure requirements for consistency with [draft] IPSAS [X] (ED 77), remove guidance on measurement in IPSAS 16 where such guidance was now provided in [draft] IPSAS [X] (ED 77), and to refer preparers to the guidance in that Standard.</u>	
	...	
	Amendments to IPSAS 17, Property, Plant, and Equipment	
	Paragraphs 6, 71, 83A, 88, and 94 are amended and paragraph 107S is added. New text is underlined, and deleted text is struck through.	
	...	
	Scope	
	...	
ED79	<p>6. This Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, <i>Agriculture</i>). This Standard applies to bearer plants but does not apply to the produce on bearer plants; (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources); <u>and</u> (c) <u>Property, plant, and equipment classified as held for sale in accordance with [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations.</u> 	

ED		Reason for change
	However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 6(a) or 6(b).	
	...	
	Depreciation	
	...	
	Depreciable amount and depreciation period	
	...	
ED79	71. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases <u>at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79) and the date that</u> when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.	
	...	
	Derecognition	
	...	
ED79	83A. However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognized as revenue in accordance with IPSAS 9, <i>Revenue from Exchange Transactions</i> . <u>[draft] IPSAS [X] (ED 79) does not apply when assets that are held for sale in the ordinary course of operations are transferred to inventories.</u>	
	...	
	Disclosure	
	...	
ED79	88. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:	

ED		Reason for change
	<p>(a) The measurement bases used for determining the gross carrying amount;</p> <p>...</p> <p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>(i) Additions;</p> <p>(ii) Disposals <u>Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals;</u></p> <p>(iii) ...</p>	
ED79	...	
	<p>94. Users of financial statements may also find the following information relevant to their needs:</p> <p>(a) The carrying amount of temporarily idle property, plant, and equipment;</p> <p>...</p> <p>(c) The carrying amount of property, plant, and equipment retired from active use and held for disposal <u>not classified as held for sale in accordance with [draft] IPSAS [X] (ED 79); and</u></p> <p>(d) ...</p>	
	...	
	Effective Date	
	...	
ED79	<p><u>107S. Paragraphs 6, 71, 83A, 88 and 94 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u></p>	
	...	
ED79	<p>Comparison with IAS 16</p> <p>IPSAS 17 is drawn primarily from IAS 16 (2003), <i>Property, Plant and Equipment</i> and includes amendments made to IAS 16 as part of the <i>Improvements to IFRSs</i> issued in May 2008. At the time of <u>initially</u> issuing this Standard, the IPSASB has <u>had</u> not considered the</p>	

ED		Reason for change
	<p>applicability of IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i> to public sector entities; therefore, IPSAS 17 does <u>did</u> not reflect amendments made to IAS 16 consequent upon the issue of IFRS 5. <u>The IPSASB has subsequently issued [draft] IPSAS [X] (ED 70, <i>Non-current Assets Held for Sale and Discontinued Operations</i>). Therefore, all amendments made to IAS 16 from the issuance of IFRS 5 are now reflected in IPSAS 17.</u> The main differences between IPSAS 17 and IAS 16 (2003) are as follows:</p> <ul style="list-style-type: none"> IPSAS 17 does not require or prohibit the recognition of heritage assets. An entity that recognizes heritage assets is required to comply with the disclosure requirements of this Standard with respect to those heritage assets that have been recognized and may, but is not required to, comply with other requirements of this Standard in respect of those heritage assets. IAS 16 does not have a similar exclusion. 	
	Amendments to IPSAS 18, <i>Segment Reporting</i>	
ED78	Paragraph 37 is amended. Paragraph 76H is added. New text is underlined, and deleted text is struck through.	
	...	
	Segment Assets, Liabilities, Revenue, and Expense	
	...	
ED78	<p>37. IPSAS 40 may require adjustments to be made to the carrying amounts of the identifiable assets and liabilities of an operation acquired in an acquisition. Measurements of segment assets and liabilities include any adjustments to the prior carrying amounts of the identifiable segment assets and segment liabilities of an operation acquired in an acquisition, even if those adjustments are made only for the purpose of preparing consolidated financial statements and are not recorded in either the controlling entity's separate or the controlled entity's individual financial statements. Similarly, if property, plant, and equipment has been revalued subsequent to acquisition in accordance with the revaluation <u>current value</u> model in IPSAS 47 <u>[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u>, measurements of segment assets reflect those revaluations.</p>	
	...	
	Effective Date	
ED78	<p><u>76H. Paragraph 37 was amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY, it</u></p>	

ED		Reason for change
	<u>shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Amendments to IPSAS 19¹ - <i>Provisions, Contingent Liabilities and Contingent Assets</i>	
	Paragraphs 6 and 27 are amended. Paragraphs 111M and 111O are added. New text is underlined, and deleted text is struck through.	
	...	
	Scope	
	...	
ED79	6. This Standard applies to provisions for restructuring (including <u>discontinued operations being discontinued</u>). <u>When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>. An entity shall disclose information that enables users of its financial statements to evaluate the financial effects of a restructuring.</u>	
	...	
	<i>Past Event</i>	
	...	
ED78	27. It is only those obligations arising from past events existing independently of an entity's future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defense installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused. IPSAS 17 <u>[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u> , deals with items, including dismantling and site restoring costs, that are included in the cost of an asset. In contrast, because of legal requirements, pressure from constituents, or a desire to demonstrate community leadership, an entity may intend or need to carry out expenditure to operate in a particular way in the future. An example would be where a public sector entity decides to fit emission controls on certain of its vehicles, or a government laboratory decides to	

ED		Reason for change
	install extraction units to protect employees from the fumes of certain chemicals. Because the entities can avoid the future expenditure by their future actions – for example, by changing their method of operation – they have no present obligation for that future expenditure, and no provision is recognized.	
	...	
	Effective Date	
	...	
ED79	<u>111M. Paragraph 6 was amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED78	<u>111O. Paragraph 27 was amended by IPSAS 17[draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY it shall disclose that fact and apply IPSAS 17[draft] IPSAS [X] (ED 78) at the same time.</u>	
	Implementation Guidance <i>This guidance accompanies, but is not part of, IPSAS 19.</i>	
	...	
	Repairs and Maintenance	
ED78	IG16. Some assets require, in addition to routine maintenance, substantial expenditure every few years for major refits or refurbishment and the replacement of major components. IPSAS 17[draft] IPSAS [X] (ED 78) gives guidance on allocating expenditure on an asset to its component parts where these components have different useful lives or provide benefits in a different pattern.	
	...	
	Basis for Conclusions	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 19.</i>	

ED		Reason for change
	Revision of IPSAS 19 as a result of Part II of <i>Improvements to IPSASs 2015</i> : issues raised by stakeholders	
ED79	<p>BC1. <u>When IPSAS 19 was revised as a result of Part II of <i>Improvements to IPSASs 2015</i></u> Stakeholders stakeholders had indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB <u>had</u> concluded that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, may <u>might</u> only be appropriate for the public sector in certain circumstances, for the following reasons:</p> <p>(a) Sales of assets in the public sector may <u>might</u> not be completed within one year because of the levels of approval required. This raises <u>had raised</u> questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes <u>had noted</u> that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has <u>had</u> concerns that not depreciating assets for an extended period of time may <u>might</u> be inappropriate.</p> <p>(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may <u>might</u> not provide relevant information for these transfers. However, the IPSASB recognizes <u>had recognized</u> that the measurement and disclosure requirements in IFRS 5 may <u>might</u> be appropriate where sales are intended to take place at fair value.</p> <p>(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may <u>might</u> not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes <u>had recognized</u> that the disclosure requirements in IFRS 5 may <u>might</u> be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.</p> <p>Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the</p>	

ED		Reason for change
	<p>IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may might result in entities following the requirements of IFRS 5 in circumstances where this may not be appropriate. The IPSASB <u>had</u> noted that IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.</p>	
ED79	<p><u>BC1A. In developing [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS 5. As a result, all the relevant references have been added.</u></p>	
	...	
	<p>Amendments to IPSAS 21, <i>Impairment of Non-Cash Generating Assets</i></p>	
ED77/ED78/ED79	<p>Paragraphs 2, 8, 10, 12, 27, 29, 54, 54A, 69, 69A and 75 are amended. Paragraphs 10A, 82L, 82M and 82N are added. New text is underlined, and deleted text is struck through.</p>	
	...	
	Scope	
	...	
ED79	<p>2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for impairment of non-cash-generating assets, except:</p> <p>(a) Inventories (see IPSAS 12, <i>Inventories</i>);</p> <p>...</p> <p>(d) Investment property that is measured using the fair value model (see IPSAS 16, <i>Investment Property</i>); and</p> <p>(e) [Deleted]</p> <p>(f) [Deleted]</p> <p>(fa) <u>Non-current assets (or disposal groups) classified as held for sale in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>; and</u></p>	

ED		Reason for change
	(g) Other assets in respect of which accounting requirements for impairment are included in another IPSAS.	
...		
ED79	8. This Standard does not apply to inventories, and assets arising from construction contracts, <u>or assets classified as held for sale (or included in a disposal group that is classified as held for sale)</u> because existing IPSASs applicable to these assets contain requirements for recognizing and measuring these assets.	
...		
ED77	10. This Standard does not require the application of an impairment test to investment property that is carried <u>measured at fair value within the scope of</u> IPSAS 16. This is because, under the current value model in IPSAS 16, an investment property is carried at fair value at the reporting date and any impairment will be taken into account in the valuation.	
ED77	10A. <u>However, this Standard applies to non-cash-generating assets that are carried at revalued amounts (i.e., fair value, or current operational value, at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses) in accordance with other IPSAS, such as the current value model in [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i> and the revaluation model in IPSAS 31, <i>Intangible Assets</i>. The only difference between a non-cash-generating asset's fair value and its fair value less costs to sell is the direct incremental costs attributable to the disposal of the non-cash-generating asset.</u> (a) <u>If the disposal costs are negligible, the recoverable service amount of the revalued non-cash-generating asset is necessarily close to, or greater than, its revalued amount. In this case, after the revaluation requirements have been applied, it is unlikely that the revalued non-cash-generating asset is impaired and recoverable service amount need not be estimated.</u> (b) <u>If the disposal costs are not negligible, the fair value less costs to sell of the revalued non-cash-generating asset is necessarily less than its fair value. Therefore, the revalued non-cash-generating asset will be impaired if its value in use is less than its revalued amount. In this case, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the non-cash-generating asset may be impaired.</u>	
...		
ED 78	12. Consistent with the requirements of paragraph 5 above, items of property, plant, and equipment that are classified as cash-generating assets, including those that are carried at revalued amounts under the allowed alternative treatment in IPSAS 47[draft] IPSAS [X] (ED 78), are dealt with under IPSAS 26	

ED		Reason for change
	...	
	Identifying an Asset that may be Impaired	
	...	
ED79	<p>27. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:</p> <p>External sources of information</p> <p>(a) Cessation, or near cessation, of the demand or need for services provided by the asset;</p> <p>(b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal, or government policy environment in which the entity operates;</p> <p>Internal sources of information</p> <p>(c) Evidence is available of physical damage of an asset;</p> <p>(d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite;¹</p> <p>(e) ...</p>	
	...	
ED77	<p>29. The list in paragraph 27 is not exhaustive. There may be other indications that an asset may be impaired. The existence of other indications may result in the entity estimating the asset's recoverable service amount. For example, any of the following may be an indication of impairment:</p> <p>(a) During the period, <u>There are observable indications that the an asset's market value has declined during the period</u> significantly more than would be expected as a result of the passage of time or normal use; or</p> <p>(b) A significant long-term decline (but not necessarily cessation or near cessation) in the demand for or need for services provided by the asset.</p>	IFRS 13
	...	
	Recognizing and Measuring an Impairment Loss	

ED		Reason for change
	...	
ED78	54. An impairment loss shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation <u>current value</u> model in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> and IPSAS 31). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.	
ED78	54A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> . Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> .	
	...	
	Reversing an Impairment Loss	
	...	
ED78	69. A reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation <u>current value</u> model in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> and IPSAS 31). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard.	
ED78	69A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> . However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with IPSAS 31 or IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> .	
	Disclosure	
	...	
ED78	75. The information required in paragraph 73 may be presented with other information disclosed for the class of assets. For example, this information may be included in a reconciliation of the carrying	

ED		Reason for change
	amount of property, plant, and equipment, at the beginning and end of the period, as required by IPSAS 17 [draft] IPSAS [X] (ED 78).	
	...	
	Effective Date	
	...	
ED79	82L. Paragraphs 2, 8 and 27 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.	
ED 78	82M. Paragraphs 12, 54, 54A, 69, 69A, and 75 were amended by [draft] IPSAS [X] (ED 78) <i>Property, Plant, and Equipment</i>, issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.	
ED77	82N. Paragraphs 10 and 29, were amended and paragraph 10A was added by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.	
	...	
	Basis for Conclusions	
	This Basis for Conclusions accompanies, but is not part of, IPSAS 21.	
	Property, Plant, and Equipment and Intangible Assets	
ED 78	BC17. <u>When this Standard was issued</u> At the time this Standard was approved in December 2004, it did not require the application of an impairment test to non-cash-generating assets that are carried at revalued amounts under the revaluation model in IPSAS 17 and IPSAS 31. The IPSASB was <u>then</u> of the view that under the revaluation model in	

ED		Reason for change
	<p>IPSAS 17 and IPSAS 31, assets would be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value as at the reporting date, and any impairment would be taken into account in the valuation. Therefore, any difference between the asset's carrying amount and its fair value less costs to sell would be the disposal costs. The IPSASB was <u>then</u> of the view that, in most cases, these would not be material and, from a practical viewpoint, it was not necessary to measure an asset's recoverable service amount and to recognize an impairment loss for the disposal costs of a non-cash-generating asset. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78).</u></p>	
ED77/ED78	<p>BC19. Firstly, there are different methods of determining recoverable service amount under this Standard, and of determining recoverable amount under IAS 36. Recoverable service amount is defined in this Standard as the higher of a non-cash-generating asset's fair value less costs of disposal and its value in use. Under this Standard, an entity determines an asset's value in use by determining the current cost to replace the asset's remaining service potential. The current cost to replace the asset's remaining service potential is determined using the depreciated replacement cost approach, and approaches described as the restoration cost approach and the service units approach. These approaches may also be <u>were also</u> adopted to measure fair value under IPSAS 17 and IPSAS 31 and therefore the value in use is <u>was</u> a measure of fair value. Recoverable amount is defined in IAS 36 as the higher of an asset's fair value less costs of disposal and its value in use. Value in use under IAS 36 is determined using the present value of the cash flows expected to be derived from continued use of the asset and its eventual disposal. IAS 36 states that the value in use may be different from the fair value of the asset</p>	
ED77	<p>BC19A. <u>The IPSASB has since issued [draft] IPSAS [X], (ED 77) which provides a consistent approach to measuring fair value in all IPSAS. The IPSASB noted that the guidance in that Standard includes a fair value hierarchy, which guidance on measurement techniques that may be used where there is no observable market data. The IPSASB considered whether the restoration cost approach and the service units approach were appropriate to estimate fair value. The IPSASB noted that the</u></p>	

ED		Reason for change
	<p><u>alternatives included in IPSAS 17 and IPSAS 31 are inconsistent with measurement techniques available in [draft] IPSAS [X], (ED 77) to estimate fair value. The IPSASB agreed to update the definition of fair value in IPSAS 31 to align with [draft] IPSAS [X], (ED 77) and replaced IPSAS 17 with [draft] IPSAS [X], (ED 78), Property, Plant and Equipment</u></p>	
	<p><i>Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)</i></p>	
	<p>...</p>	
ED78	<p>BC20B. <u>When this Standard was issued, The the IPSASB had</u> considered that the rationale in paragraphs BC19 and BC20 for the different requirements in IPSAS 21 and IAS 36 remained sound. The IPSASB <u>had</u> acknowledged the view that impairments would be taken into account when carrying out revaluations of assets to ensure that their carrying amounts do not differ materially from fair value, as required by paragraph 44 of IPSAS 17 and fair value as required by paragraph 74 of IPSAS 31. <u>In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same impairment principles should apply when revaluing assets to current operational value, as required by paragraph 27 of [draft] IPSAS [X] (ED 78).</u></p>	
ED78	<p>BC20C. The IPSASB <u>had</u> also acknowledged that it was ambiguous whether impairment losses and reversals of impairment losses are revaluations, given that they are accounted for in a similar manner. Paragraph 51 of IPSAS 17 <u>had</u> <u>requireds</u> an entire class of assets to be revalued if an item of property, plant, and equipment belonging to that class is revalued. Therefore, if impairment losses and reversals of impairment losses are interpreted as revaluations the consequences are onerous. The IPSASB <u>had</u> considered that it should resolve this ambiguity. <u>In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same guidance should be retained.</u></p>	
	<p>...</p>	
	<p>Responses to ED 57</p>	
	<p>...</p>	
ED78	<p>BC20H. The majority of the respondents to ED 57 <u>had</u> supported the proposals and the IPSASB's rationale. <u>When this Standard was issued, the</u> The IPSASB <u>had</u> considered a proposal that a clarification that impairment losses and reversals of impairment losses of a revalued asset do not require an entity to revalue the entire class of assets to which that item belongs could be achieved more economically through a simple statement in IPSAS 17. <u>In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same statement should be retained.</u></p>	
ED78	<p>BC20J. Following comments by respondents to the ED the IPSASB <u>had</u> reassessed the assertion in the Basis for Conclusions of ED 57 that impairments are conceptually different from revaluation</p>	

ED		Reason for change
	<p>decreases. Because both impairments and revaluation decreases involve a diminution of service potential or the ability to generate economic benefits, the IPSASB <u>had</u> concluded that they are <u>were</u> conceptually the same. However, there is <u>was</u> a practical difference. Impairments <u>were</u> are events that affect individual assets, or groups of assets, rather than the result of periodic revaluations. This practical difference is <u>was</u> reflected in the statement in paragraph 51A of IPSAS 17 that “impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.” <u>In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same guidance should be retained.</u></p>	
	...	
	Reversal of Impairment	
	...	
ED78	<p>BC25. Paragraph 27(c) includes “Evidence is available of physical damage of an asset” as a minimum indication of impairment. Paragraph 60 does not include an indication of reversal of impairment that mirrors this indication of impairment. <u>When this Standard was issued, ¶the IPSASB had</u> not included repair of an asset as an indication of reversal, because IPSAS 17 <u>requireds</u> entities to add subsequent expenditure to the carrying amount of an item of property, plant, and equipment when it is probable that future economic benefits or service potential over the total life of the asset, in excess of the most recently assessed standard of performance of the existing asset, will flow to the entity. <u>In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same guidance should be retained.</u> This requirement also <u>applieds</u> to investment property that <u>was</u> measured using the cost model under IPSAS 16. The IPSASB is of the view that these requirements negate the need for an indication of reversal of impairment that mirrors the physical damage indication of impairment. The IPSASB also noted that restoration or repair of damage does not constitute a change in the estimate of the asset’s recoverable service amount after impairment as specified by paragraph 65 of this IPSAS. <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that the cost model in IPSAS 17 is labeled the historical cost model in [draft] IPSAS [X] (ED 78) and that label consequentially applies in IPSAS 16.</u></p>	

ED		Reason for change
	...	
	Revision of IPSAS 21 as a result of [draft] IPSAS [X] (ED 77), Measurement	
ED77	BC28. <u>[Draft] IPSAS [X] (ED 77), Measurement, issued in [Month] [Year], provides generic guidance on the initial and subsequent measurement of assets, to ensure a consistent approach across all IPSAS. The IPSASB agreed the concept of fair value should be retained in IPSAS 21, independent of the revised definition of fair value proposed in [draft] IPSAS [X] (ED 77). The IPSASB agreed any changes to the concept of fair value in IPSAS 21 should be considered as part of an IPSAS 21 specific project and in the context of estimating impairment more broadly.</u>	
	<u>Revision of IPSAS 21 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED78/ED79	<p style="text-align: center;">Comparison with IAS 36 (2004)</p> <p>IPSAS 21 is drawn primarily from IAS 36 (2004). The main differences between IPSAS 21 and IAS 36 (2004) are as follows:</p> <ul style="list-style-type: none"> • IPSAS 21 deals with the impairment of non-cash-generating assets of public sector entities, while IAS 36 deals with the impairment of cash-generating assets of profit-oriented entities. IPSAS 26 deals with the impairment of cash-generating assets of public sector entities. • IPSAS 21 does not apply to non-cash-generating assets carried at revalued amounts at the reporting date under the current value model in IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>. IAS 36 does not exclude from its scope cash-generating property, plant, and equipment carried at revalued amounts at the reporting date. • The method of measurement of value in use of a non-cash-generating asset under IPSAS 21 is different from that applied to a cash-generating asset under IAS 36. IPSAS 21 measures the value in use of a non-cash-generating asset as the present value of the asset's remaining service potential using a number of approaches. IAS 36 measures the value in use of a cash-generating asset as the present value of future cash flows from the asset. • IPSAS 21 does not include a change in the market value of the asset as a black letter indication of impairment. A significant, unexpected decline in market value appears in black letter in IAS 36 as part of the minimum set of indications of impairment while IPSAS 21 refers to it in commentary. • IPSAS 21 includes a decision to halt the construction of an asset before completion as a black letter indication of impairment and the resumption of the construction of the asset as an indication of reversal of the impairment loss. There are no equivalents in IAS 36. • The scope of IAS 36 excludes certain classes of assets that are 	

ED		Reason for change
	<p>not excluded from the scope of IPSAS 21. These exclusions relate to classes of assets that are the subject of specific impairment requirements under other IFRSs. These have not been excluded from IPSAS 21 because there are not equivalent IPSASs. These exclusions include (a) biological assets related to agricultural activity, (b) deferred tax assets, (c) deferred acquisition costs, (d) intangible assets arising from an insurer's contractual rights under insurance contracts within the scope of IFRS 4, <i>Insurance Contracts</i>, and (e) non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p> <ul style="list-style-type: none"> • IPSAS 21 deals with the impairment of individual assets. There is no equivalent in IPSAS 21 for a cash-generating unit as defined in IAS 36. • IPSAS 21 deals with corporate assets in the same manner as other non-cash-generating assets, while IAS 36 deals with them as part of related cash-generating units. <p>IPSAS 21 uses different terminology, in certain instances, from IAS 36. The most significant examples are the use of the terms "revenue," "recoverable service amount", and "statement of financial performance," in IPSAS 21. The equivalent terms in IAS 36 are "income," "recoverable amount," and "income statement."</p>	
	Amendments to IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i>	
ED77	Paragraph 32 is amended. Paragraph 47F is added. New text is underlined, and deleted text is struck through.	
	...	
	Accounting Policies	
ED77	<p>32. Statistical bases of reporting require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit <u>a historical cost model</u> and current values <u>model</u> for certain classes of assets and liabilities. They do not require all assets and liabilities to be revalued to market value. Therefore, the measurement of assets and liabilities in the GGS disclosures in the financial statements, including the investment in the PFC and PNFC sectors, may differ from the measurement basis adopted in statistical bases of reporting.</p>	
	...	
	Effective Date	
ED77	<p>47F. <u>Paragraph 32 was amended by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements</u></p>	

ED		Reason for change
	<u>covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	Basis for Conclusions	
	...	
	Consolidation and Disaggregation	
ED77	<p>BC7. Statistical bases of financial reporting and IPSASs have many similarities in their treatment of particular transactions and events. However, there are also differences. For example, statistical bases of financial reporting:</p> <p>(a) Require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit <u>a historical cost model</u> and current values <u>model</u> for certain classes of assets and liabilities;</p> <p>(b) ...</p>	
	...	
	Amendments to IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)	
ED77	<p>Paragraphs 42 and 97 are amended and paragraph. 124H is added. New text is underlined, and deleted text is struck through.</p>	
	...	
	Recognition of Assets	
	...	
	Measurement of Assets on Initial Recognition	
ED77	<p>42. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. <u>Appendix A of [draft] IPSAS [X] (ED 77), Measurement, provides guidance on measuring assets at fair value.</u></p>	
	...	
	Transfers	
	...	
	Gifts and Donations, including Goods In-kind	
	...	

ED		Reason for change
ED77	<p>97. On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment. in accordance with [draft] IPSAS [X] (ED 77).</p>	
	...	
	Effective Date	
ED77	<p>124H. <u>Paragraphs 42, and 97 were amended by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
	Amendments to IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	
ED77/ED78/ED79	<p>Paragraphs 2, 8, 10, 13, 25, 31, 36, 41, 42, 66, 73, 73A, 78, 85, 87, 89, 92, 94, 100, 108, 108A, 118, 104, 120, and 123 are amended. Paragraphs 10A, 66A, and 126M, 126N and 126O are added. Paragraphs 38, 40 are deleted. New text is underlined, and deleted text is struck through.</p>	
	Scope	
ED79	<p>2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:</p> <p>(a) Inventories (see IPSAS 12, <i>Inventories</i>);</p> <p>...</p>	

ED		Reason for change
	<p>(k) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts; and</p> <p>(l) [Deleted]</p> <p><u>(la) Non-current assets (or disposal groups) classified as held for sale in accordance with [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations; and</u></p> <p>(m) Other cash-generating assets in respect of which accounting requirements for impairment are included in another Standard.</p>	
ED77/ED79	<p>...</p> <p>8. This Standard does not apply to inventories, and cash-generating assets arising from construction contracts, or assets classified as held for sale (or included in a disposal group that is classified as held for sale) because existing standards applicable to these assets contain requirements for recognizing and measuring such assets. This Standard does not apply to deferred tax assets, assets related to employee benefits, or deferred acquisition costs and intangible assets arising from an insurer's contractual rights under insurance contracts. The impairment of such assets is addressed in the relevant international or national accounting standards. In addition, this Standard does not apply to biological assets related to agricultural activity that are measured at fair value less costs of disposal to sell. IPSAS 27 dealing with biological assets related to agricultural activity contains measurement requirements.</p>	IFRS 13
ED77	<p>...</p> <p>10. This Standard does not require the application of an impairment test to an investment property <u>measured</u> that is carried at fair value <u>within the scope of</u> in accordance with IPSAS 16. Under the fair value model in IPSAS 16, an investment property is carried at fair value at the reporting date, and any impairment will be taken into account in the valuation.</p>	IFRS 13
ED77	<p>10A. <u>However, this Standard applies to cash-generating assets that are carried at revalued amounts (i.e., fair value or current operational value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses) in accordance with other IPSAS, such as the current value model in IPSAS 17, <i>Property, Plant, and Equipment</i> and the revaluation model in IPSAS 31, <i>Intangible Assets</i>. The only difference between a cash-generating asset's fair value and its fair value less costs of</u></p>	IFRS 13

ED		Reason for change
	<p><u>disposal is the direct incremental costs attributable to the disposal of the cash-generating asset.</u></p> <p><u>(a) If the disposal costs are negligible, the recoverable amount of the revalued cash-generating asset is necessarily close to, or greater than, its revalued amount. In this case, after the revaluation requirements have been applied, it is unlikely that the revalued cash-generating asset is impaired and recoverable amount need not be estimated.</u></p> <p><u>(b) If the disposal costs are not negligible, the fair value less costs of disposal of the revalued cash-generating asset is necessarily less than its fair value. Therefore, the revalued cash-generating asset will be impaired if its value in use is less than its revalued amount. In this case, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the cash-generating asset may be impaired.</u></p>	
	...	
	Definitions	
ED77	<p>13. The following terms are used in this Standard with the meanings specified:</p> <p><u>Recoverable amount</u> is the higher of an asset's or a cash-generating unit's fair value less costs <u>of disposal</u> to sell and its value in use.</p> <p>...</p>	IFRS 13
	...	
	Identifying an Asset that may be Impaired	
	...	
ED77/ED79	<p>25. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:</p> <p>External sources of information</p> <p>(a) During the period, <u>There are observable indicators that an asset's market-value has declined during the period significantly more than would be expected as a result of the passage of time or normal use;</u></p> <p>(b) ...</p> <p>...</p> <p>(c) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset</p>	IFRS 13

ED		Reason for change
	<p>before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;¹</p> <p>(d) ...</p> <p><u>1 Once an asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale), it is excluded from the scope of this Standard and is accounted for in accordance with [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations.</u></p>	
	...	
	Measuring Recoverable Amount	
ED77	31. This Standard defines “recoverable amount” as the higher of an asset’s fair value less costs <u>of disposal to sell</u> and its value in use. Paragraphs 32–70 set out the requirements for measuring recoverable amount. These requirements use the term “an asset” but apply equally to an individual asset or a cash-generating unit.	IFRS 13
ED77	32. It is not always necessary to determine both an asset’s fair value less costs <u>of disposal to sell</u> and its value in use. If either of these amounts exceeds the asset’s carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.	IFRS 13
ED77	33. It may be possible to measure determine fair value less costs <u>of disposal to sell</u> , even if there is not a quoted price in an active market for an asset is not traded in an active market . However, sometimes it will not be possible to measure determine fair value less costs <u>of disposal to sell</u> because there is no basis for making a reliable ¹ estimate of the <u>price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions amount obtainable from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties</u> . In this case, the entity may use the asset’s value in use as its recoverable amount.	IFRS 13
ED77	34. If there is no reason to believe that an asset’s value in use materially exceeds its fair value less costs of disposal to sell , the asset’s fair value less costs <u>of disposal to sell</u> may be used as its recoverable amount. This will often be the case for an asset that is held for disposal. This is because the value in use of an asset held for disposal will consist mainly of the net disposal proceeds, as the future cash flows from continuing use of the asset until its disposal are likely to be negligible.	IFRS 13
ED77	35. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-	IFRS 13

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

ED		Reason for change
	<p>generating unit to which the asset belongs (see paragraphs 85–90), unless either:</p> <p>(a) The asset's fair value less costs <u>of disposal</u> to sell is higher than its carrying amount; or</p> <p>(b) The asset is a part of a cash-generating unit but is capable of generating cash flows individually, in which case the asset's value in use can be estimated to be close to its fair value less costs <u>of disposal</u> to sell and the asset's fair value less costs <u>of disposal</u> to sell can be <u>measured</u> determined.</p>	
ED77	36. In some cases, estimates, averages and computational shortcuts may provide reasonable approximations of the detailed computations for determining fair value less costs <u>of disposal</u> to sell or value in use.	IFRS 13
	Fair Value less Costs <u>of Disposal</u> to Sell	
	...	
ED77	38. The best evidence of an asset's fair value less costs to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. [Deleted]	
ED77	39. If there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal. The appropriate market price is usually the current bid price. When current bid prices are unavailable, the price of the most recent transaction may provide a basis from which to estimate fair value less costs to sell, provided that there has not been a significant change in economic circumstances between the transaction date and the date as at which the estimate is made. [Deleted]	
ED77	40. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available that reflects the amount that an entity could obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity considers the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale. [Deleted]	
ED77	41. Costs of disposal, other than those that have been recognized as liabilities, are deducted in <u>measuring</u> determining fair value less costs <u>of disposal</u> to sell . Examples of such costs are legal costs, stamp duty and similar transaction taxes, costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale. However, termination benefits and costs associated with reducing or reorganizing a business following the disposal of an asset are not direct incremental costs to dispose of the asset.	IFRS 13
ED77	42. Sometimes, the disposal of an asset would require the buyer to assume a liability, and only a single fair value less costs <u>of disposal</u> to sell is available for both the asset and the liability. Paragraph 89 explains how to deal with such cases.	IFRS 13
	...	

ED		Reason for change
	Value in Use	
	...	
	Composition of Estimates of Future Cash Flows	
	...	
ED77	66. The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is determined in a similar way to an asset's fair value less costs <u>of disposal</u> to sell , except that, in estimating those net cash flows: (a) ...	IFRS 13
ED77	66A. <u>Fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset. In contrast, value in use reflects the effects of factors that may be specific to the entity and not applicable to entities in general. For example, fair value does not reflect any of the following factors to the extent that they would not be generally available to market participants:</u> (a) <u>Additional value derived from the grouping of assets (such as the creation of a portfolio of investment properties in different locations);</u> (b) <u>Synergies between the asset being measured and other assets;</u> (c) <u>Legal rights or legal restrictions that are specific only to the current owner of the asset; and</u> (d) <u>Tax benefits or tax burdens that are specific to the current owner of the asset.</u>	IFRS 13
	...	
	Recognizing and Measuring an Impairment Loss	
	...	
ED78	73. An impairment loss shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation current value model in IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i> and IPSAS 31). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.	
ED78	73A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17[draft] IPSAS [X] (ED 78). Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17[draft] IPSAS [X] (ED 78).	
	Cash-Generating Units	
	...	
	Identifying the Cash-Generating Unit to which an Asset Belongs	

ED		Reason for change
	...	
ED79	<p>78. The recoverable amount of an individual asset cannot be determined if:</p> <p>(a) The asset's value in use cannot be estimated to be close to its fair value less costs <u>of disposal</u> to sell (for example, when the future cash flows from continuing use of the asset cannot be estimated to be negligible); and</p> <p>(b) The asset does not generate cash inflows that are largely independent of those from other assets and is not capable of generating cash flows individually.</p> <p>In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.</p>	
	...	
	Recoverable Amount and Carrying Amount of a Cash-Generating Unit	
ED77	<p>85. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs <u>of disposal</u> to sell and its value in use. For the purpose of determining the recoverable amount of a cash-generating unit, any reference in paragraphs 31–70 to an asset is read as a reference to a cash-generating unit.</p>	IFRS 13
	...	
ED77	<p>87. The carrying amount of a cash-generating unit:</p> <p>(a) Includes the carrying amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis, to the cash-generating unit and will generate the future cash inflows used in determining the cash-generating unit's value in use; and</p> <p>(b) Does not include the carrying amount of any recognized liability, unless the recoverable amount of the cash-generating unit cannot be determined without consideration of this liability.</p> <p>This is because fair value less costs <u>of disposal</u> to sell and value in use of a cash-generating unit are determined excluding cash flows that relate to assets that are not part of the cash-generating unit and liabilities that have been recognized (see paragraphs 41 and 56).</p>	IFRS 13
	...	
ED77	<p>89. It may be necessary to consider some recognized liabilities to determine the recoverable amount of a cash-generating unit. This may occur if the disposal of a cash-generating unit would require the buyer to assume the liability. In this case, the fair value less costs <u>of disposal</u> to sell (or the estimated cash flow from ultimate disposal) of the cash-generating unit is the estimated selling price</p>	IFRS 13

ED		Reason for change
	<p>to sell for the assets of the cash-generating unit and the liability together, less the costs of disposal. To perform a meaningful comparison between the carrying amount of the cash-generating unit and its recoverable amount, the carrying amount of the liability is deducted in determining both the cash-generating unit's value in use and its carrying amount.</p>	
	...	
	Impairment Loss for a Cash-Generating Unit	
ED77	<p>92. In allocating an impairment loss in accordance with paragraph 91, an entity shall not reduce the carrying amount of an asset below the highest of:</p> <p>(a) Its fair value less costs <u>of disposal</u> to sell (if <u>measurable determinable</u>);</p> <p>(b) ...</p>	IFRS 13
	...	
ED77	<p>94. If the recoverable amount of an individual asset cannot be determined (see paragraph 78):</p> <p>(a) An impairment loss is recognized for the asset if its carrying amount is greater than the higher of its fair value less costs <u>of disposal</u> to sell and the results of the allocation procedures described in paragraphs 91–93; and</p> <p>(b) No impairment loss is recognized for the asset if the related cash-generating unit is not impaired. This applies even if the asset's fair value less costs <u>of disposal</u> to sell is less than its carrying amount.</p>	IFRS 13
	...	
	Reversing an Impairment Loss	
	...	
ED77	<p>100. In assessing whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:</p> <p>External sources of information</p> <p>(v) <u>There are observable indications that the</u> The asset's market value has increased significantly during the period;</p>	IFRS 13
	...	
ED77	<p>104. A reversal of an impairment loss reflects an increase in the estimated service potential of an asset, either from use or from</p>	IFRS 13

ED		Reason for change
	<p>sale, since the date when an entity last recognized an impairment loss for that asset. An entity is required to identify the change in estimates that causes the increase in estimated service potential. Examples of changes in estimates include:</p> <p>(a) A change in the basis for recoverable amount (i.e., whether recoverable amount is based on fair value less costs <u>of disposal</u> to sell or value in use);</p> <p>(b) If recoverable amount was based on value in use, a change in the amount or timing of estimated future cash flows, or in the discount rate; or</p> <p>(c) If recoverable amount was based on fair value less costs <u>of disposal</u> to sell, a change in estimate of the components of fair value less costs <u>of disposal</u> to sell.</p>	
	...	
	Reversing an Impairment Loss for an Individual Asset or Class of Asset	
	...	
ED78	<p>108. A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation <u>current value</u> model in <u>[draft] IPSAS [X] (ED 78)</u> and IPSAS 31). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard.</p>	
ED78	<p>108A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that individual asset in accordance with IPSAS 31 or class of assets in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u>. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit in accordance with IPSAS 31 or IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u>.</p>	
	...	
	Disclosure	
	...	
ED78	<p>118. The information required in paragraph 115 may be presented with other information disclosed for the class of assets. For example, this information may be included in a reconciliation of the carrying amount of property, plant, and equipment at the beginning and end of the period, as required by IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u>.</p>	
	...	

ED		Reason for change
ED77	<p>120. An entity shall disclose the following for each material impairment loss recognized or reversed during the period for a cash-generating asset (including goodwill) or a cash-generating unit:</p> <p>...</p> <p>(e) Whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs <u>of disposal</u> to sell or its value in use;</p> <p>(f) If the recoverable amount is fair value less costs <u>of disposal</u> to sell, the basis used to <u>measure</u> determine fair value less costs <u>of disposal</u> to sell (such as whether fair value was <u>measured</u> determined by reference to <u>a quoted price in an active market for an identical asset</u>); and</p> <p>(i) The level of the fair value hierarchy (see [draft] IPSAS [X] (ED 77)) within which the fair value measurement of the for an identical asset (cash generating unit) is categorized in its entirety (without taking into account whether the 'costs of disposal' are observable); and</p> <p>(ii) For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the measurement technique(s) used to measure fair value less costs of disposal. If there has been a change in measurement technique, the entity shall disclose that change and the reason(s) for making it; and</p> <p>(iii) For fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset's (cash generating unit's) recoverable amount is most sensitive. The entity shall also disclose the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.</p> <p>(g) ...</p>	IFRS 13
	...	
	Disclosure of Estimates used to Measure Recoverable Amounts of Cash-Generating Units Containing Intangible Assets with Indefinite Useful Lives	

ED		Reason for change
ED77	<p>123. An entity shall disclose the information required by (a)–(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives:</p> <p>...</p> <p>(c) basis on which the unit’s (group of units’) recoverable amount has been determined (i.e., value in use or fair value less costs <u>of disposal to sell</u>);</p> <p>(d) If the unit’s (group of units’) recoverable amount is based on value in use:</p> <p>(i) A description of each <u>Each</u> key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit’s (group of units’) recoverable amount is most sensitive;</p> <p>(e) If the unit’s (group of units’) recoverable amount is based on fair value less costs <u>of disposal to sell</u>, the <u>measurement technique(s) methodology</u> used to <u>measure</u> determine fair value less costs <u>of disposal to sell</u>. If fair value less costs <u>of disposal to sell</u> is not <u>measured</u> determined using <u>a quoted</u> an observable market price for the <u>an identical</u> unit, <u>an entity shall disclose</u> the following information shall also be disclosed:</p> <p>(i) A description of each <u>Each</u> key assumption on which management has based its determination of fair value less costs <u>of disposal to sell</u>. Key assumptions are those to which the unit’s (group of units’) recoverable amount is most sensitive; and</p> <p>(ii) A description of management’s approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</p> <p>(iiA) <u>The level of the fair value hierarchy (see [draft] IPSAS [X] (ED 77)) within which the fair value measurement is categorized in its entirety (without</u></p>	IFRS 13

ED		Reason for change
	<p><u>giving regard to the observability of ‘costs of disposal’).</u></p> <p><u>(iiB) If there has been a change in valuation technique, the change and the reason(s) for making it.</u></p> <p>If fair value less costs <u>of disposal</u> to sell is <u>measured</u> determined using discounted cash flow projections, <u>an entity shall disclose</u> the following information shall also be disclosed:</p> <p>(iii) The period over which management has projected cash flows;</p> <p>(iv) The growth rate used to extrapolate cash flow projections; and</p> <p>(v) The discount rate(s) applied to the cash flow projections.</p>	
	...	
	Effective Date	
ED77	<p>126M. <u>Paragraphs 8, 10, 13, 25, 31, 36, 41, 42, 66, 78, 85, 87, 89, 92, 94, 100, 104, 120, and 123 were amended, paragraphs 10A and 66A were added, and paragraphs 38, 40 were deleted by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
ED79	<p><u>126N. Paragraphs 2, 8 and 25 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u></p>	
ED78	<p><u>126O. Paragraphs 73, 73A, 108, 108A, and 118 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD,</u></p>	

ED		Reason for change
	<u>YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Basis for Conclusions	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 26.</i>	
	...	
	Development of IPSAS 26 Based on the IASB's Revised Version of IAS 36 Issued in 2004	
	...	
	<i>Need for this Standard</i>	
ED78	<p>BC3. <u>When this Standard was issued</u>, IPSAS 21 <u>had</u> referred readers to IAS 36 (a) in order to establish whether cash- generating assets have been impaired, and (b) for accounting for the recognition and measurement of any impairment. There are <u>were</u> benefits in incorporating requirements and guidance on the impairment of cash-generating assets in an IPSAS, so that public sector entities do not have to refer to IAS 36 when an entity has cash-generating assets. In addition, there are <u>were</u> a number of public sector issues related to impairment. These included:</p> <ul style="list-style-type: none"> (a) Whether cash-generating property, plant, and equipment carried in accordance with the revaluation model in IPSAS 17, <i>Property, Plant, and Equipment</i> should be within the scope; (b) Distinguishing cash-generating and non-cash-generating assets; (c) The redesignation of cash-generating assets to non-cash-generating assets and vice-versa; and (d) The treatment for impairment purposes of non-cash-generating assets in cash-generating units. <p><u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that the identified relationship still applies for issue (a) above.</u></p>	
	<i>Exclusion of Property, Plant, and Equipment Carried at Revalued Amounts and Intangible Assets that are Regularly Revalued to Fair Value from Scope</i>	
ED78	BC4. <u>When this Standard was issued</u> , At the time this Standard was approved in February 2008, the scope of IPSAS 21 <u>had</u>	

ED		Reason for change
	<p>excluded non cash-generating property, plant, and equipment carried at revalued amounts in accordance with the revaluation model in IPSAS 17. The Basis for Conclusions in IPSAS 21 <u>had</u> stated that the IPSASB was of the view that assets carried at revalued amounts in accordance with the revaluation model in IPSAS 17 would be revalued with sufficient regularity to ensure (a) that they are carried at an amount that is not materially different from their fair value at the reporting date, and (b) that any impairment will be taken into account in that valuation. The IPSASB therefore <u>had</u> considered whether a similar scope exclusion should be included in this Standard.</p>	
ED78	<p>BC5. The IPSASB <u>had</u> acknowledged that property, plant, and equipment held on the revaluation model are <u>were</u> within the scope of IAS 36, and <u>had</u> considered the view that guidance on determining impairment losses for such assets would be appropriate for public sector entities with assets on the revaluation model. The IPSASB <u>had</u> noted that in IAS 36, in cases where the fair value of an item of property, plant, and equipment is its market value, the maximum amount of an impairment loss is <u>was</u> the disposal costs. In the Basis for Conclusions for IPSAS 21, it is <u>was</u> stated that “the IPSASB is of the view that, in most cases, these will not be material and, from a practical viewpoint, it is not necessary to measure an asset’s recoverable service amount and to recognize an impairment loss for the disposal costs of a non-cash-generating asset.” The IPSASB <u>had</u> considered that disposal costs are also unlikely to be material for cash-generating assets. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the IPSASB noted that these principles are still applicable.</u></p>	
	...	
ED78	<p>BC7. <u>When this Standard was issued, the IPSASB had been was</u> of the view that it would be onerous to impose a requirement to test for impairment in addition to the <u>then</u> existing requirement in IPSAS 17, i.e., that assets will<u>would</u> be revalued with sufficient regularity to ensure that they are <u>were</u> carried at an amount that is <u>would</u> not be materially different from their fair value at the reporting date. Therefore, on balance, the IPSASB <u>had</u> concluded that consistency with IPSAS 21 should take precedence over convergence with IAS 36, and that property, plant, and equipment carried on the revaluation model in IPSAS 17 should be excluded from the scope of this Standard. Consistent with the approach to property, plant, and equipment, intangible assets that are <u>were</u> regularly revalued to fair value were <u>would</u> also <u>be</u> excluded from the scope. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the</u></p>	

ED		Reason for change
	<u>IPSASB noted that current operational value can be applied instead of fair value and the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78).</u>	
	...	
	<i>Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)</i>	
	...	
ED78	BC7B. <u>When this Standard was issued</u> The IPSASB <u>had</u> considered that the rationale in paragraphs BC5 and BC6 for the different requirements in IPSAS 26 and IAS 36 is <u>was</u> sound. The IPSASB <u>had</u> acknowledged the view that impairments would be taken into account when carrying out revaluations of assets to ensure that their carrying amounts do not differ materially from fair value, as <u>was</u> required by paragraph 44 of IPSAS 17 and paragraph 74 of IPSAS 31.	
ED78	BC7C. The IPSASB <u>had</u> also acknowledged that it was ambiguous whether impairment losses and reversals of impairment losses are revaluations, given that they are <u>were</u> accounted for in a similar manner. Paragraph 51 of IPSAS 17 required <u>requires</u> the entire class of assets to be revalued if an item of property, plant, and equipment belonging to that class is <u>was</u> revalued. Therefore, if impairment losses and reversals of impairment losses are <u>were</u> interpreted as revaluations the consequences are onerous. The IPSASB <u>had</u> considered that it should resolve this ambiguity. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the IPSASB noted that this reasoning and consideration are still applicable.</u>	
	...	
	Responses to ED 57	
ED78	BC7H. The majority of respondents to ED 57 supported the proposals and the IPSASB's rationale. The IPSASB <u>had</u> considered a proposal that a clarification that impairment losses and reversals of impairment losses of a revalued asset do not require an entity to revalue the entire class of assets to which that item belongs could be achieved more economically through a simple statement in IPSAS 17.	
	...	
ED78	BC7J. Following comments by respondents to the ED the IPSASB <u>had</u> reassessed the assertion in the Basis for Conclusions of ED 57 that impairments are conceptually different from revaluation decreases. Because both impairments and revaluation decreases involve a diminution of service potential or the ability	

ED		Reason for change
	<p>to generate economic benefits, the IPSASB <u>had</u> concluded that they are conceptually the same. However, there is <u>was</u> a practical difference. Impairments are events that affect individual assets, or groups of assets, rather than the result of periodic revaluations. This practical difference is <u>was</u> reflected in paragraph 51A of IPSAS 17 that “impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.” <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that this guidance is still applicable.</u></p>	
	...	
	<p>Revision of IPSAS 26 as a result of Part II of <i>Improvements to IPSASs 2015</i>: issues raised by stakeholders</p>	
ED79	<p>BC19. <u>When IPSAS 26 was revised as a result of Part II of <i>Improvements to IPSASs 2015</i></u> Stakeholders <u>stakeholders had indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB <u>had</u> concluded that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, may <u>might</u> only be appropriate for the public sector in certain circumstances, for the following reasons:</u></p> <ul style="list-style-type: none"> (a) Sales of assets in the public sector may <u>might</u> not be completed within one year because of the levels of approval required. This raises <u>had raised</u> questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes <u>had noted</u> that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has <u>had</u> concerns that not depreciating assets for an extended period of time may <u>might</u> be inappropriate. (b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may <u>might</u> not provide relevant information for these transfers. However, the IPSASB recognizes <u>had recognized</u> that the measurement and disclosure requirements in IFRS 5 may <u>might</u> be appropriate where sales are intended to take place at fair value. (c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued 	

ED		Reason for change
	<p>operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may—might not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes <u>had recognized</u> that the disclosure requirements in IFRS 5 may—might be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.</p> <p>Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may—might result in entities following the requirements of IFRS 5 in circumstances where this may—might not be appropriate. The IPSASB <u>had</u> noted that IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.</p>	
ED79	<p><u>BC19A. In developing [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS 5. As a result, all the relevant references have been added.</u></p>	
	...	
	<p>Revision of IPSAS 26 as a result of <i>Improvements to IPSAS, 2019</i></p>	
ED78	<p><u>BC21. When this Standard was issued the IPSASB had noted that the reference to “class of assets” in paragraphs 73A and 108A created the impression that the guidance only applied to revalued assets in the scope of IPSAS 17. Stakeholders raised concerns that revalued intangible assets were excluded from its application. Consequently, the IPSASB <u>had</u> agreed to clarify that the paragraphs apply to individual assets in the scope of IPSAS 31, <i>Intangible Assets</i> and class of assets in the scope of IPSAS 17. In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that this guidance is still applicable.</u></p>	

ED		Reason for change
	<u>Revision of IPSAS 26 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC22. <u>[Draft] IPSAS [X] (ED 77), Measurement</u> , issued in [Month] [Year], provides generic guidance on the measurement of fair value, to ensure a consistent approach across all IPSAS. The <u>IPSASB agreed to remove guidance on measurement in IPSAS 26 where such guidance was now provided in [draft] IPSAS [X] (ED 77), and to refer preparers to the guidance in that Standard.</u>	
	...	
	Comparison with IAS 36	
ED78	<p>IPSAS 26, <i>Impairment of Cash-Generating Assets</i> deals with the impairment of cash-generating assets in the public sector, and includes an amendment made to IAS 36 (2004), <i>Impairment of Assets</i> as part of the <i>Improvements to IFRSs</i> issued in May 2008. The main differences between IPSAS 26 and IAS 36 are as follows:</p> <ul style="list-style-type: none"> • IPSAS 26 does not apply to cash-generating assets carried at revalued amounts at the reporting date under the revaluation <u>current value</u> model in IPSAS 17 <u>[draft] IPSAS [X] (ED 78, Property, Plant, and Equipment)</u>. IAS 36 does not exclude from its scope cash-generating property, plant, and equipment carried at revalued amounts at the reporting date. • IPSAS 26 does not apply to intangible assets that are regularly revalued to fair value. IAS 36 does not exclude from its scope intangible assets that are regularly revalued to fair value. • IPSAS 26 defines cash-generating assets and includes additional commentary to distinguish cash-generating assets and non-cash-generating assets. • The definition of a cash-generating unit in IPSAS 26 is modified from that in IAS 36. • IPSAS 26 does not include a definition of corporate assets or requirements relating to such assets. IAS 36 includes a definition of corporate assets and requirements and guidance on their treatment. • IPSAS 26 does not treat the fact that the carrying amount of the net assets of an entity is more than the entity's market capitalization as indicating impairment. The fact that the carrying amount of the net assets is more than the entity's market capitalization is treated by IAS 36 as part of the minimum set of indications of impairment. • In IPSAS 26, a forced sale is not a reflection of fair value less costs to sell. In IAS 36, a forced sale is a reflection of fair value less costs to sell, if management is compelled to sell immediately. • IPSAS 26 includes requirements and guidance on the treatment of non-cash-generating assets that contribute to cash-generating units as well as to non-cash-generating activities. IAS 36 does not 	

ED		Reason for change
	<p>deal with non-cash-generating assets that contribute to cash-generating units as well as to non-cash-generating activities.</p> <ul style="list-style-type: none"> IPSAS 26 includes requirements and guidance dealing with the re designation of assets from cash-generating to non-cash-generating and non-cash-generating to cash-generating. IPSAS 26 also requires entities to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets. There are no equivalent requirements in IAS 36. IPSAS 26 uses different terminology, in certain instances, from IAS 36. The most significant examples are the use of the terms “revenue” and “statement of financial performance.” The equivalent terms in IAS 36 are “income” and “income statement.” 	
	Implementation Guidance	
	<i>This guidance accompanies, but is not part of, IPSAS 26.</i>	
	...	
	Calculation of Value in Use and Recognition of an Impairment Loss	
	<i>Background and Calculation of Value in Use</i>	
	...	
ED77	<p>IG13. It is not possible to determine the fair value less costs <u>of disposal</u> to sell of the power plant. Therefore, recoverability can only be determined through the calculation of value in use. To determine the value in use for the power plant (see Schedule 1), Government R:</p> <ul style="list-style-type: none"> (a) Prepares cash flow forecasts derived from the most recent financial budgets/forecasts for the next five years (years 20X5-20X9) approved by management; (b) Estimates subsequent cash flows (years 20Y0–20Y9) based on declining growth rates ranging from -6 percent per annum to -3 percent per annum; and (c) Selects a 6 percent discount rate, which represents a rate that reflects current market assessments of the time value of money and the risks specific to Government R’s power plant. 	IFRS 13
	...	
	Inclusion of Recognized Liabilities in Calculation of Recoverable Amount of a Cash-Generating Unit	
	...	
	<i>Impairment Testing</i>	
	...	
ED77	<p>IG24. The cash-generating unit’s fair value less costs <u>of disposal</u> to sell is CU800. This amount includes restoration costs that have already been provided for. As a consequence, the value in use</p>	IFRS 13

ED		Reason for change
	for the cash-generating unit is determined after consideration of the restoration costs, and is estimated to be CU700 (CU1,200 minus CU500). The carrying amount of the cash-generating unit is CU500, which is the carrying amount of the site (CU1,000) minus the carrying amount of the provision for restoration costs (CU500). Therefore, the recoverable amount of the cash-generating unit exceeds its carrying amount.	
	...	
	Accounting Treatment of an Individual Asset in a Cash-Generating Unit dependent on whether Recoverable Amount can be Determined	
	<i>Background</i>	
ED77	IG25. A holding tank at a water purification plant has suffered physical damage but is still working, although not as well as before it was damaged. The holding tank's fair value less costs of disposal to sell is less than its carrying amount. The holding tank does not generate independent cash inflows. The smallest identifiable group of assets that includes the holding tank and generates cash inflows that are largely independent of the cash inflows from other assets is the plant to which the holding tank belongs. The recoverable amount of the plant shows that the plant taken as a whole is not impaired.	IFRS 13
	<i>Recoverable Amount of Holding Tank Cannot be Determined</i>	
	...	
ED77	IG27. The recoverable amount of the holding tank alone cannot be estimated because the holding tank's value in use: <ul style="list-style-type: none"> (a) May differ from its fair value less costs of disposal to sell; and (b) Can be determined only for the cash-generating unit to which the holding tank belongs (the water purification plant). <p>The plant is not impaired. Therefore, no impairment loss is recognized for the holding tank. Nevertheless, the entity may need to reassess the depreciation period or the depreciation method for the holding tank. Perhaps a shorter depreciation period or a faster depreciation method is required to reflect the expected remaining useful life of the holding tank or the pattern in which economic benefits are expected to be consumed by the entity.</p>	IFRS 13
	...	
	<i>Recoverable Amount of Holding Tank Can be Determined</i>	
	...	
ED77	IG29. The holding tank's value in use can be estimated to be close to	IFRS 13

ED		Reason for change
	its fair value less costs <u>of disposal</u> to sell . Therefore, the recoverable amount of the holding tank can be determined, and no consideration is given to the cash-generating unit to which the holding tank belongs (i.e., the production line). Because the holding tank's fair value less costs <u>of disposal</u> to sell is below its carrying amount, an impairment loss is recognized for the holding tank.	
	Amendments to IPSAS 27, Agriculture	
ED77/ED78/ED79	Paragraphs 3, 4, 6, 19, 20, 26, 29, 34, 37, and 48 are amended. Paragraphs 46A–46F, 56H, 56J and 56K are added. Paragraphs 14, 21, 25, 27, 45 and 46 are deleted. New text is underlined, and deleted text is struck through.	
	...	
	Scope	
	...	
ED78	<p>3. This Standard does not apply to:</p> <ul style="list-style-type: none"> (a) Land related to agricultural activity (see IPSAS 16, <i>Investment Property</i> and IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>, <i>Property, Plant, and Equipment</i>); (b) Bearer plants related to agricultural activity (see IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>). However, this Standard applies to the produce on those bearer plants. (c) Intangible assets related to agricultural activity (see IPSAS 31, <i>Intangible Assets</i>); and <p>Biological assets held for the provision or supply of services.</p>	
ED78	<p>4. Biological assets are used in many activities undertaken by public sector entities. When biological assets are used for research, education, transportation, entertainment, recreation, customs control or in any other activities that are not agricultural activities as defined in paragraph 9 of this Standard, those biological assets are not accounted for in accordance with this Standard. Where those biological assets meet the definition of an asset, other IPSASs should be considered in determining the appropriate accounting (e.g., IPSAS 12, <i>Inventories</i> and IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>).</p>	
	...	

ED		Reason for change																																							
ED78	<p>6. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:</p> <table border="1"> <thead> <tr> <th>Biological assets</th><th>Agricultural produce</th><th>Products that are the result of processing after harvest</th></tr> </thead> <tbody> <tr> <td>Sheep</td><td>Wool</td><td>Yarn, carpet</td></tr> <tr> <td>Trees in a timber plantation forest</td><td>Felled trees</td><td>Logs, lumber</td></tr> <tr> <td>Dairy cattle</td><td>Milk</td><td>Cheese</td></tr> <tr> <td>Pigs</td><td>Carcass</td><td>Sausages, cured hams</td></tr> <tr> <td>Cotton plants</td><td>Harvested cotton</td><td>Thread, clothing</td></tr> <tr> <td>Sugarcane</td><td>Harvested cane</td><td>Sugar</td></tr> <tr> <td>Tobacco plants</td><td>Picked leaves</td><td>Cured tobacco</td></tr> <tr> <td>Tea bushes</td><td>Picked leaves</td><td>Tea</td></tr> <tr> <td>Grape vines</td><td>Picked grapes</td><td>Wine</td></tr> <tr> <td>Fruit trees</td><td>Picked fruit</td><td>Processed fruit</td></tr> <tr> <td>Oil Palms</td><td>Picked fruit</td><td>Palm Oil</td></tr> <tr> <td>Rubber trees</td><td>Harvested latex</td><td>Rubber products</td></tr> </tbody> </table> <p>Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of IPSAS 47^[draft] IPSAS [X] (ED 78). However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of IPSAS 27.</p>	Biological assets	Agricultural produce	Products that are the result of processing after harvest	Sheep	Wool	Yarn, carpet	Trees in a timber plantation forest	Felled trees	Logs, lumber	Dairy cattle	Milk	Cheese	Pigs	Carcass	Sausages, cured hams	Cotton plants	Harvested cotton	Thread, clothing	Sugarcane	Harvested cane	Sugar	Tobacco plants	Picked leaves	Cured tobacco	Tea bushes	Picked leaves	Tea	Grape vines	Picked grapes	Wine	Fruit trees	Picked fruit	Processed fruit	Oil Palms	Picked fruit	Palm Oil	Rubber trees	Harvested latex	Rubber products	
Biological assets	Agricultural produce	Products that are the result of processing after harvest																																							
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Sugarcane	Harvested cane	Sugar																																							
Tobacco plants	Picked leaves	Cured tobacco																																							
Tea bushes	Picked leaves	Tea																																							
Grape vines	Picked grapes	Wine																																							
Fruit trees	Picked fruit	Processed fruit																																							
Oil Palms	Picked fruit	Palm Oil																																							
Rubber trees	Harvested latex	Rubber products																																							
	...																																								
	Recognition and Measurement																																								
	...																																								
ED77	<p>14. The fair value of an asset is based on its present location and condition. As a result, for example, the fair value of cattle at a farm is the price for the cattle in the relevant market less the transport and other costs of getting the cattle either to that market or to the location where it will be distributed at no charge or for a nominal charge. [Deleted]</p>	IFRS 13																																							
	...																																								

ED		Reason for change
ED77	19. The determination of fair value measurement of for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing.	IFRS 13
ED77	20. Entities often enter into contracts to sell their biological assets or agricultural produce at a future date. Contract prices are not necessarily relevant in <u>measuring</u> determining fair value, because fair value reflects the current market <u>conditions</u> in which a <u>market participant buyers and sellers</u> willing buyer and seller would enter into a transaction. As a result, the fair value of a biological asset or agricultural produce is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a biological asset or agricultural produce in an exchange transaction may be an onerous contract, as defined in IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> . IPSAS 19 applies to onerous contracts.	IFRS 13
ED77	21. If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used. [Deleted]	IFRS 13
ED77	22. If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value: (a) The most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date; (b) Market prices for similar assets with adjustment to reflect differences; and (c) Sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat. [Deleted]	IFRS 13
ED77	23. In some cases, the information sources listed in paragraph 22 may suggest different conclusions as to the fair value of a biological asset or agricultural produce. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates. [Deleted]	IFRS 13
ED77	24. In some circumstances, market determined prices or values may not be available for a biological asset in its present	IFRS 13

ED		Reason for change
	condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market-determined rate in determining fair value. [Deleted]	
ED77	25. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. [Deleted]	IFRS 13
ED77	26. An entity does not include any cash flows for financing the assets, taxation , or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).	Annual Improvements
ED77	27. In agreeing an arm's length transaction price, knowledgeable, willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double-counted or ignored. [Deleted]	IFRS 13
	...	
ED77	29. Biological assets are often physically attached to land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An entity may use information regarding the combined assets to <u>measure the</u> determine fair value <u>of</u> for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets.	IFRS 13
	...	
	Inability to Measure Fair Value Reliably	
ED77/ED79	34. There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological	IFRS 13

ED		Reason for change
	<p>asset for which <u>quoted market-determined prices or values</u> are not available, and for which alternative <u>estimates of fair value measurements</u> are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs of disposal. <u>Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79), Non-current Assets Held for Sale and Discontinued Operations, it is presumed that fair value can be measured reliably.</u></p>	
	...	
ED78	<p>37. In determining cost, accumulated depreciation and accumulated impairment losses, an entity considers IPSAS 12, IPSAS 47[draft] IPSAS [X] (ED 78), IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i></p>	
	Disclosure	
	General	
	...	
ED77	<p>45. An entity shall disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.</p>	
ED77	<p>46. An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.</p>	
ED77	<p>46A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p>(a) For agricultural assets that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements.</p> <p>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period</p>	<p>Paragraph 46A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement nt disclosures in IPSAS Measurement nt</p>

ED		Reason for change
ED77	<p>46B. [Deleted] To meet the objectives in paragraph 46A, an entity shall consider all the following:</p> <ul style="list-style-type: none"> (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. <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 46A, an entity shall disclose additional information necessary to meet those objectives.</p>	<p>Paragraph 46B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>46C. To meet the objectives in paragraph 46A, aAn entity shall disclose, at a minimum, the following information for each class of agricultural assets (see paragraph 46D for information on determining appropriate classes of agricultural assets) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:</p> <ul style="list-style-type: none"> (a) For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of agricultural assets are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of agricultural assets are those that this Standard requires or permits in the statement of financial position in particular circumstances. (b) For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). (c) For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an 	

ED		Reason for change
	<p><u>additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. 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 fair value measurement and are reasonably available to the entity.</u></p> <p><u>(d) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p><u>(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p><u>(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p><u>(iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p><u>(e) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those agricultural assets held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p><u>(f) For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation</u></p>	

ED		Reason for change
	<p><u>policies and procedures and analyses changes in fair value measurements from period to period).</u></p> <p><u>(g) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p><u>(i) For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the 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 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 (c).</u></p>	
ED77	<p><u>46D. An entity shall determine appropriate classes of agricultural assets on the basis of the following:</u></p> <p><u>(a) The nature, characteristics and risks of the agricultural assets; and</u></p> <p><u>(b) The level of the fair value hierarchy within which the fair value measurement is categorized.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of agricultural assets for which disclosures about fair value measurements should be provided requires judgement. A class of agricultural assets 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 IPSAS specifies the class for an agricultural assets, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p><u>46E. For each class of agricultural assets not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 46C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant</u></p>	

ED		Reason for change
	<u>unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 46C(c). For such agricultural assets, an entity does not need to provide the other disclosures required by this Standard</u>	
ED77	46F. <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u>	
	...	
ED79	48. An entity shall present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include: (a) The gain or loss arising from changes in fair value less costs to sell, disclosed separately for bearer biological assets and consumable biological assets; ... (d) <u>Decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79);</u> (e) ...	
	...	
	Effective Date	
ED79	56H. <u>Paragraphs 34 and 48 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED78	56J. <u>Paragraphs 3, 4, 6, and 37 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time</u>	

ED		Reason for change
ED77	<p>56K. <u>Paragraphs 19, 20, 26, 29, and 34 were amended, paragraphs 46A–46E were added, and paragraphs 14, 21, 25, 27 45 and 46 were deleted by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
	Basis for Conclusions	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 27.</i>	
	...	
	Biological Assets and Agricultural Assets Acquired through a Non-Exchange Transaction	
	...	
ED78	<p>BC9. <u>When this Standard was issued, in analyzing approach 3, the IPSASB had considered the requirements of IPSAS 23 in relation to the measurement of other types of assets. IPSAS 23.13 states that: “...If a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. Delivery and installation costs were are included in the amount recognized as an asset, in accordance with IPSAS 17.” In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that this guidance is still applicable. This implies that for other assets, an entity considers the measurement requirements of other IPSASs as well as IPSAS 23 in initially measuring assets acquired through a non-exchange transaction.</u></p>	
	...	
	Revision of IPSAS 27 as a result of Part II of <i>Improvements to IPSASs 2015</i>: issues raised by stakeholders	
ED79	<p>BC15. <u>When IPSAS 27 was revised as a result of Part II of <i>Improvements to IPSASs 2015</i> Stakeholders—stakeholders had indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB had concluded that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued</i></u></p>	

ED		Reason for change
	<p><i>Operations</i>, may <u>might</u> only be appropriate for the public sector in certain circumstances, for the following reasons:</p> <p>(a) Sales of assets in the public sector may <u>might</u> not be completed within one year because of the levels of approval required. This raises <u>had raised</u> questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes <u>had noted</u> that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has <u>had</u> concerns that not depreciating assets for an extended period of time may <u>might</u> be inappropriate.</p> <p>(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may <u>might</u> not provide relevant information for these transfers. However, the IPSASB recognizes <u>had recognized</u> that the measurement and disclosure requirements in IFRS 5 may <u>might</u> be appropriate where sales are intended to take place at fair value.</p> <p>(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may <u>might</u> not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes <u>had recognized</u> that the disclosure requirements in IFRS 5 may <u>might</u> be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.</p> <p>Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may <u>might</u> result in entities following the requirements of IFRS 5 in circumstances where this may <u>might</u> not be appropriate. The IPSASB had <u>had</u> noted that IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that</p>	

ED		Reason for change
	is consistent with IFRS 5 where the entity considers this is appropriate.	
ED79	BC15A. <u>In developing [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS 5. As a result, all the relevant references have been added.</u>	
	...	
	<u>Revision of IPSAS 27 as a result of [draft] IPSAS [X] (ED 77), <i>Measurement</i></u>	
ED77	BC18. <u>[Draft] IPSAS [X] (ED 77), issued in [Month] [Year], provides generic guidance on the measurement of fair value, to ensure a consistent approach across all IPSAS. The IPSASB agreed to remove guidance on measurement in IPSAS 27 where such guidance was now provided in [draft] IPSAS [X] (ED 77), and to refer preparers to the guidance in that Standard.</u>	
	...	
	<u>Amendments to IPSAS 28, <i>Financial Instruments: Presentation</i></u>	
	Paragraph AG56 is amended. Paragraph 60K is added. New text is underlined, and deleted text is struck through.	
	...	
	<u>Effective Date</u>	
ED77	60K. <u>Paragraph AG56 was amended by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	<u>Application Guidance</u>	
	<i>This Appendix is an integral part of IPSAS 28.</i>	
	...	
	Presentation	
	<u>Treatment in Consolidated Financial Statements</u>	

ED		Reason for change
	...	
	Compound Financial Instruments (paragraphs 33–37)	
	...	
ED 77	<p>AG56. Compound financial instruments are not common in the public sector because of the capital structure of public sector entities. The following discussion does, however, illustrate how a compound financial instrument would be analyzed into its component parts. A common form of compound financial instrument is a debt instrument with an embedded conversion option, such as a bond convertible into ordinary shares of the issuer, and without any other embedded derivative features. Paragraph 33 requires the issuer of such a financial instrument to present the liability component and net assets/equity component separately in the statement of financial position, as follows:</p> <p>(b) The equity instrument is an embedded option to convert the liability into net assets/equity of the issuer. The fair value of the option comprises its time value and its intrinsic value, if any. This option has value on initial recognition even when it is out of the money.</p>	IFRS 13
	...	
	Amendments to IPSAS 30, <i>Financial Instruments</i>: Disclosures	
	Paragraphs 8, 15 and 34 are amended. Paragraphs 30A–30I and 52J are added. Paragraphs 31–33 are deleted. New text is underlined, and deleted text is struck through.	
	...	
	Definitions	
ED77	<p>8. The following terms are used in this Standard with the meanings specified:</p> <p>...</p> <p>Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or <u>by</u> factors affecting all similar financial instruments traded in the market.</p>	IFRS 13
	...	
	Intangible Heritage Assets	

ED		Reason for change
ED 78	<p>15. The disclosure requirements in paragraphs 117–124 require entities to make disclosures about recognized intangible assets. Therefore, entities are required to disclose in respect of those recognized intangible heritage assets such matters as, for example:</p> <ul style="list-style-type: none"> (a) The measurement basis used; (b) The amortization method used, if any; (c) The gross carrying amount; (d) The accumulated amortization at the end of the period, if any; and (e) A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof. <p>...</p> <p>Significance of Financial Instruments for Financial Position and Financial Performance</p> <p>Other Disclosures</p> <p>...</p> <p>Fair Value</p> <p>...</p>	
ED77	<p>30A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <ul style="list-style-type: none"> (a) For financial instruments that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements. (b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period. 	<p>Paragraph 30A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>30B. [Deleted] To meet the objectives in paragraph 30A, an entity shall consider all the following:</p> <ul style="list-style-type: none"> (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 	<p>Paragraph 30B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS</p>

ED		Reason for change
	<p>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 30A, an entity shall disclose additional information necessary to meet those objectives.</p>	Measurement
ED77	<p>30C. <u>To meet the objectives in paragraph 30A, a</u>An entity shall disclose, at a minimum, the following information for each class of financial instruments (see paragraph 30D for information on determining appropriate classes of financial instruments) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), <i>Measurement</i>) in the statement of financial position after initial recognition:</p> <p>(a) <u>For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of financial instruments are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of financial instruments are those that this Standard requires or permits in the statement of financial position in particular circumstances.</u></p> <p>(b) <u>For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u></p> <p>(c) <u>For financial instruments 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 30E). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.</u></p> <p>(d) <u>For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that</u></p>	

ED		Reason for change
	<p><u>change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. 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 fair value measurement and are reasonably available to the entity.</u></p> <p>(e) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p>(i) <u>Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p>(ii) <u>Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p>(iii) <u>Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p>(iv) <u>For recurring 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 30E). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.</u></p> <p>(f) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those financial instruments held at the end of the reporting period, and the line item(s) in surplus</u></p>	

ED		Reason for change
	<p><u>or deficit in which those unrealized gains or losses are recognized.</u></p> <p>(g) <u>For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, 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 fair value measurements from period to period).</u></p> <p>(h) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p>(i) <u>For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the 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 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).</u></p> <p>(ii) <u>For financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative 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 surplus or deficit, and total assets or total liabilities, or, when changes in fair value are recognized in net assets/equity, total equity.</u></p>	
ED77	<p>30D. <u>An entity shall determine appropriate classes of financial instruments on the basis of the following:</u></p> <p>(a) <u>The nature, characteristics and risks of the financial instruments; and</u></p>	

ED		Reason for change
	<p>(b) <u>The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the fair value is observable or unobservable.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of financial instruments for which disclosures about fair value measurements should be provided requires judgement. A class of financial instruments 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 IPSAS specifies the class for an financial instruments, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p>30E. <u>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 30C(c) and (e)(iv). The policy about the timing of recognizing 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:</u></p> <p>(a) <u>The date of the event or change in circumstances that caused the transfer.</u></p> <p>(b) <u>The beginning of the reporting period.</u></p> <p>(c) <u>The end of the reporting period.</u></p>	
ED77	<p>30F <u>If an entity makes an accounting policy decision to use the exception in paragraph IPSAS 41.AG143O, it shall disclose that fact.</u></p>	
ED77	<p>30G <u>For each class of financial instruments not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 30C(b), (d) and (i). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 30C(d). For such financial instruments, an entity does not need to provide the other disclosures required by this Standard.</u></p>	

ED		Reason for change
ED77	30H <u>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.</u>	
ED 77	30I <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u>	-
	...	
ED77	<p>34. <u>In some cases, an entity does not recognize a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph AG117 of IPSAS 41). In such cases, the entity shall disclose by class of financial asset or financial liability: If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG149-AG154 of IPSAS 41). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless conditions described in paragraph AG151 of IPSAS 41 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:</u></p> <p>(a) <u>Its accounting policy for recognizing in surplus or deficit the that difference between the fair value at initial recognition and the transaction price in surplus or deficit to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph AG117(b) of IPSAS 41);</u></p> <p>(b) <u>The aggregate difference yet to be recognized in surplus or deficit at the beginning and end of the period and a reconciliation of changes in the balance of this difference; and-</u></p> <p>(c) <u>Why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.</u></p>	IFRS 13
	...	
	Effective Date	
ED77	52H. <u>Paragraphs 8 and 34 were amended, by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in Month YYYY. An entity</u>	

ED		Reason for change
	<u>shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	Implementation Guidance	
	<i>This guidance accompanies, but is not part of, IPSAS 30.</i>	
	...	
	Significance of Financial Instruments for Financial Position and Financial Performance (paragraphs 10–36, AG4 and AG5)	
	...	
	Fair Value (paragraphs 31–34)	
ED77	<p>IG16. The fair value at initial recognition of financial instruments that are not traded in active markets is determined in accordance with paragraph AG151 of IPSAS 41. However, when, after initial recognition, an entity will use a <u>measurement valuation</u> technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that <u>measurement valuation</u> technique. In these circumstances, the difference will be recognized in surplus or deficit in subsequent periods in accordance with IPSAS 41 and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would consider in setting a price (see paragraph AG151 of IPSAS 41). Paragraph 33 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 34:</p> <p>Background</p> <p>On January 1, 20X1 an entity purchases for CU15 million financial assets that are not traded in an active market. The entity has only one class of such financial assets.</p> <p>The transaction price of CU15 million is the fair value at initial recognition.</p> <p>After initial recognition, the entity will apply a <u>measurement valuation</u> technique to establish the financial assets' fair value. This <u>measurement valuation</u> technique includes variables other than data from observable markets.</p> <p>At initial recognition, the same <u>measurement valuation</u> technique would have resulted in an amount of CU14 million, which differs from fair value by CU1 million.</p> <p>The entity has existing differences of CU5 million at January 1, 20X1.</p> <p>Application of Requirements</p> <p>The entity's 20X2 disclosure would include the following:</p>	

ED		Reason for change
	<p><i>Accounting Policies</i></p> <p>The entity uses the following measurement valuation technique to determine the fair value of financial instruments that are not traded in an active market: [description of technique not included in this example]. Differences may arise between the fair value at initial recognition (which, in accordance with IPSAS 41, is generally the transaction price) and the amount determined at initial recognition using the measurement valuation technique. Any such differences are [description of the entity's accounting policy].</p> <p><i>In the Notes to the Financial Statements</i></p> <p>As discussed in note X, the entity uses [name of measurement valuation technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with IPSAS 41, the fair value of an instrument at inception is generally technique, that difference is [description of the entity's accounting policy].</p>	
	...	
	Amendments to IPSAS 31, <i>Intangible Assets</i>	
ED77/ED78/ED79	Paragraphs 3, 6, 7, 15, 45, 48, 67, 71, 74, 75, 76, 81, 83, 96, 99, 116, 117 121, 123, 124 and AG5 are amended. Paragraph 11 is deleted. Paragraphs 123A–123F, 132M, 132O, 132P, BC 14-BC 15, and AG12, AG13 and AG14 are added. New text is underlined, and deleted text is struck through.	
	...	
	Recognition and Measurement	
	Exchanges of Assets	
	...	
	Scope	
	...	
ED78	<p>3 This Standard shall be applied in accounting for intangible assets, except:</p> <ul style="list-style-type: none"> (a) Intangible assets that are within the scope of another Standard; (b) Financial assets, as defined in IPSAS 28, <i>Financial Instruments: Presentation</i>; (c) The recognition and measurement of exploration and evaluation assets (see the relevant international or national accounting standard dealing with exploration for, and evaluation of, mineral resources); (d) Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources; (e) [Deleted] (f) [Deleted] 	

ED		Reason for change
	<p>(g) Powers and rights conferred by legislation, a constitution, or by equivalent means;</p> <p>(h) Deferred tax assets (see the relevant international or national accounting standard dealing with income taxes);</p> <p>(i) Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts. In cases where the relevant international or national accounting standard does not set out specific disclosure requirements for those intangible assets, the disclosure requirements in this Standard apply to those intangible assets; and</p> <p>(j) [Deleted]</p> <p>(k) In respect of intangible heritage assets. However, the disclosure requirements of paragraphs 115–127 apply to those heritage assets that are recognized.</p>	
	...	
ED79	<p>6. If another IPSAS prescribes the accounting for a specific type of intangible asset, an entity applies that IPSAS instead of this Standard. For example, this Standard does not apply to:</p> <p>(a) Intangible assets held by an entity for sale in the ordinary course of operations (see IPSAS 11, <i>Construction Contracts</i>, and IPSAS 12, <i>Inventories</i>);</p> <p>...</p> <p>(h) <u>Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</u></p>	
ED78	<p>7. Some intangible assets may be contained in or on a physical substance such as a compact disc (in the case of computer software), legal documentation (in the case of a license or patent), or film. In determining whether an asset that incorporates both intangible and tangible elements should be treated under IPSAS 17<u>[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u>, or as an intangible asset under this Standard, an entity uses judgment to assess which element is more significant. For example, the navigation software for a fighter aircraft is integral to the aircraft and is treated as property, plant, and equipment. The same applies to the operating system of a computer. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.</p>	
	...	

ED		Reason for change
	Intangible Heritage Assets	
	...	
ED78	<p>11. This Standard does not require an entity to recognize intangible heritage assets that would otherwise meet the definition of, and recognition criteria for, intangible assets. If an entity does recognize intangible heritage assets, it must apply the disclosure requirements of this Standard and may, but is not required to, apply the measurement requirements of this Standard.</p>	
ED78	<p>15. The disclosure requirements in paragraphs 117–124 require entities to make disclosures about recognized intangible assets. Therefore, entities that recognize intangible heritage assets are required to disclose in respect of these recognized intangible heritage assets such matters as, for example:</p> <ul style="list-style-type: none"> (a) The measurement basis used; (b) The amortization method used, if any; (c) The gross carrying amount; (d) The accumulated amortization at the end of the period, if any; and (e) A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof. 	
ED77	<p>45. Paragraph 28(b) specifies that a condition for the recognition of an intangible asset is that the cost of the asset can be measured reliably. The fair value of an intangible asset for which comparable market transactions do not exist is reliably measurable if:</p> <ul style="list-style-type: none"> (a) The variability in the range of reasonable fair value <u>measurements</u> estimates is not significant for that asset: or (b) The probabilities of the various estimates within the range can be reasonably assessed and used <u>when measuring</u> in estimating fair value. <p>If an entity is able to <u>measure</u> determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.</p>	IFRS 13
	...	
	Internally Generated Goodwill	
	...	
ED77	<p>48. Differences between the <u>fair</u> market value of an entity and the carrying amount of its identifiable net assets at any time may capture a range of factors that affect the <u>fair</u> value of the entity.</p>	IFRS 13

ED		Reason for change
	However, such differences do not represent the cost of intangible assets controlled by the entity.	
	...	
	Recognition of an Expense	
ED78	<p>67. In some cases, expenditure is incurred to provide future economic benefits or service potential to an entity, but no intangible asset or other asset is acquired or created that can be recognized. In the case of the supply of goods, the entity recognizes such expenditure as an expense when it has a right to access those goods. In the case of the supply of services, the entity recognizes the expenditure as an expense when it receives the services. For example, expenditure on research is recognized as an expense when it is incurred (see paragraph 52), except when it is acquired as part of an acquisition. Other examples of expenditure that is recognized as an expense when it is incurred include:</p> <ul style="list-style-type: none"> (a) Expenditure on start-up activities (i.e., start-up costs), unless this expenditure is included in the cost of an item of property, plant, and equipment in accordance with IPSAS 17<u>[draft] IPSAS [X]</u> (ED 78). Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or operation (i.e., pre-opening costs), or expenditures for starting new operations or launching new products or processes (i.e., pre-operating costs); (b) Expenditure on training activities; (c) Expenditure on advertising and promotional activities (including mail order catalogues and information pamphlets); and (d) Expenditure on relocating or reorganizing part or all of an entity. 	
	Subsequent Measurement	
ED77	<p>71. An entity shall choose either the <u>historical cost</u> model in paragraph 73 or the <u>current value revaluation</u> model in paragraph 74 as its accounting policy. If an intangible asset is accounted for using the <u>current value revaluation</u> model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.</p>	
	...	

ED		Reason for change
	<u>Historical</u> Cost Model	
	...	
	<u>Current Value Revaluation</u> Model	
ED77	74. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be <u>measured</u> determined by reference to an active market. Revaluations shall be made with such regularity that at the reporting date the carrying amount of the asset does not differ materially from its fair value.	-
ED77	75. The <u>current value revaluation</u> model does not allow: (a) The revaluation of intangible assets that have not previously been recognized as assets; or (b) The initial recognition of intangible assets at amounts other than cost.	
ED77	76. The <u>current value revaluation</u> model is applied after an asset has been initially recognized at cost. However, if only part of the cost of an intangible asset is recognized as an asset because the asset did not meet the criteria for recognition until part of the way through the process (see paragraph 63), the <u>current value revaluation</u> model may be applied to the whole of that asset. Also, the <u>current value revaluation</u> model may be applied to an intangible asset that was received through a non-exchange transaction (see paragraphs 42–43).	
	...	
ED77	81. If the fair value of a revalued intangible asset can no longer be <u>measured</u> determined by reference to an active market, the carrying amount of the asset shall be its revalued amount at the date of the last revaluation by reference to the active market less any subsequent accumulated amortization and any subsequent accumulated impairment losses.	
	...	
ED77	83. If the fair value of the asset can be <u>measured</u> determined by reference to an active market at a subsequent measurement date, the <u>current value revaluation</u> model is applied from that date.	
	...	
	Intangible Assets with Finite Useful Lives	

ED		Reason for change
	Amortization Period and Amortization Method	
ED79	<p>96. The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortization shall cease at the <u>earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79) and the date that the asset is derecognized.</u> The amortization method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortization charge for each period shall be recognized in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.</p>	
	...	
	Intangible Assets with Finite Useful Lives	
	Residual Value	
ED77	<p>99. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:</p> <p>(a) There is a commitment by a third party to acquire the asset at the end of its useful life; or</p> <p>(b) There is an active market <u>(as defined in [draft] IPSAS [X] (ED 77))</u> for the asset, and:</p> <p>(i) Residual value can be determined by reference to that market; and</p> <p>(ii) It is probable that such a market will exist at the end of the asset's useful life.</p>	IFRS 13
	...	
	Retirements and Disposals	
	...	
ED79	<p>116. Amortization of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated- <u>or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79).</u></p>	

ED		Reason for change
	Disclosure	
	<i>General</i>	
ED79	<p>117. An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <ul style="list-style-type: none"> (a) Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used; (b) The amortization methods used for intangible assets with finite useful lives; (c) The gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) The line item(s) of the statement of financial performance in which any amortization of intangible assets is included; (e) A reconciliation of the carrying amount at the beginning and end of the period showing: <ul style="list-style-type: none"> (i) Additions, indicating separately those from internal development, those acquired separately, and those acquired through acquisitions; (ii) Disposals <u>Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals;</u> (iii) ... 	
	...	
ED77	<p>121. An entity shall also disclose:</p> <ul style="list-style-type: none"> (a) (c) For intangible assets acquired through a non-exchange transaction and initially recognized at fair value (see paragraphs 42–43): <ul style="list-style-type: none"> (i) The fair value initially recognized for these assets; (ii) Their carrying amount; and (iii) Whether they are measured after recognition under the <u>historical</u> cost model or the <u>current value</u> revaluation model. (d) ... 	

ED		Reason for change
	...	
	Intangible Assets Measured after Recognition using the <u>Current Value</u> Revaluation Model	
ED77	<p>123. If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:</p> <p>(a) By class of intangible assets:</p> <p>(i) The effective date of the revaluation;</p> <p>(ii) The carrying amount of revalued intangible assets; and</p> <p>(iii) The carrying amount that would have been recognized had the revalued class of intangible assets been measured after recognition using the <u>historical</u> cost model in paragraph 73;</p> <p>(c) ...</p>	
ED77	<p>123A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p>(a) For intangible assets that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements.</p> <p>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</p>	<p>Paragraph 123A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>123B. [Deleted] To meet the objectives in paragraph 123A, an entity shall consider all the following:</p> <p>(a) The level of detail necessary to satisfy the disclosure requirements;</p> <p>(b) How much emphasis to place on each of the various requirements;</p> <p>(c) How much aggregation or disaggregation to undertake; and</p> <p>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in</p>	<p>Paragraph 123B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>

ED		Reason for change
	<p>paragraph 123A, an entity shall disclose additional information necessary to meet those objectives.</p>	
ED77	<p><u>123C. To meet the objectives in paragraph 123A, aAn entity shall disclose, at a minimum, the following information for each class of intangible assets (see paragraph 123D for information on determining appropriate classes of intangible assets) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:</u></p> <ul style="list-style-type: none"> (a) <u>For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of intangible assets are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of intangible assets are those that this Standard requires or permits in the statement of financial position in particular circumstances.</u> (b) <u>For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u> (c) <u>For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. when an entity uses prices from prior transactions or</u> 	

ED		Reason for change
	<p><u>third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.</u></p> <p>(d) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p><u>(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p><u>(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p><u>(iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p>(e) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring fair value measurements estimated using unobservable inputs, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those intangible assets held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p>(f) <u>For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, 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 fair value measurements from period to period).</u></p> <p>(g) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p>(h) <u>For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement. If</u></p>	

ED		Reason for change
	<p><u>there are interrelationships between those inputs and other unobservable inputs used in the 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 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 (c).</u></p>	
ED77	<p><u>123D. An entity shall determine appropriate classes of intangible assets on the basis of the following:</u></p> <ul style="list-style-type: none"> (a) <u>The nature, characteristics and risks of the intangible assets; and</u> (b) <u>The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the fair value is observable or unobservable.</u> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of intangible assets for which disclosures about fair value measurements should be provided requires judgement. A class of intangible assets 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 IPSAS specifies the class for an intangible assets, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p><u>123G. For each class of intangible assets not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 123C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 123C(c). For such intangible assets, an entity does not need to provide the other disclosures required by this Standard.</u></p>	

ED		Reason for change
ED77	<u>123I. An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u>	
ED77	124. It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and <u>current value revaluation</u> models.	
	...	
	Effective Date	
	...	
ED79	<u>132M. Paragraphs 6, 96, 116 and 117 were amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
	...	
ED78	<u>132O. Paragraphs 3, 7, 15, 67, and AG5 were amended, paragraph 11 was deleted, and paragraphs AG12, AG13, AG14, BC14 and BC15 were added by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
ED77	<u>132P. Paragraphs 45, 48, 71, 74, 75, 76, 81, 83, 99, 121, 123, and 124 were amended, and paragraphs 123A–123F were added by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	<u>Application Guidance</u>	
	<u>This Appendix is an integral part of IPSAS 31.</u>	

ED		Reason for change
	...	
	<u>Website Costs</u>	
	...	
ED78	<u>AG5. This Application Guidance does not apply to expenditure on purchasing, developing, and operating hardware (e.g., web servers, staging servers, production servers, and Internet connections) of a website. Such expenditure is accounted for under IPSAS 17[draft] IPSAS [X] (ED 78) Property, Plant, and Equipment. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's website, the expenditure is recognized as an expense when the services are received.</u>	
	...	
	<u>Intangible Heritage Assets: Cost or Current Value Cannot be Measured Reliably</u>	
ED78	<u>AG12. Where intangible heritage assets are not recognized in the financial statements because, at initial measurement, their cost or fair value cannot be measured reliably, the entity shall disclose:</u> <u>(a) The difficulties in obtaining a reliable measurement that prevented recognition; and</u> <u>(b) The significance of the unrecognized asset(s) in relation to delivery of the entity's objectives.</u>	
ED78	<u>AG13. The disclosures should ensure that, when read in the context of information about recognized intangible assets, the financial statements provide useful and relevant information about the entity's overall holding of intangible assets, and thereby support users' evaluation of the entity's finances, including its net financial position, and understanding of its ability to deliver services.</u>	
ED78	<u>AG14. These disclosures may be presented in aggregate for groups or classes of intangible assets, provided this aggregation does not obscure significant information.</u>	
	...	
	Basis for Conclusions	
	...	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 31.</i>	
	<u>Current Value Revaluation Model</u>	

ED		Reason for change
ED77/ED78	<p>BC9. The <u>current value revaluation</u> model proposed in IPSAS 31 is similar to the <u>revaluation model</u> that in IAS 38 which requires revaluations to be accounted for on an asset-by-asset basis. <u>When this Standard was issued, IPSAS 17, <i>Property, Plant, and Equipment</i> required</u> requires revaluations to be accounted for by class of assets rather than by individual asset. The IPSASB <u>had</u> considered this approach for intangible assets, but concluded that it was not necessary because intangible assets differ from property, plant, and equipment in that they are less likely to be homogeneous. One of the major types of intangible assets of public sector entities is internally-developed software, for which detailed information is available on an individual asset basis. Consequently, the IPSASB <u>had</u> concluded that it was appropriate to require revalued intangible assets to be accounted for on an asset-by-asset basis. <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that this conclusion is still applicable. In reaching this conclusion, the IPSASB noted that the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78).</u></p>	
	...	
ED79	<p>Revision of IPSAS 31 as a result of Part II of <i>Improvements to IPSASs 2015</i>: issues raised by stakeholders</p> <p>BC11. <u>When IPSAS 31 was revised as a result of Part II of <i>Improvements to IPSASs 2015</i></u> Stakeholders <u>stakeholders had</u> indicated that IPSASs referred to non-current assets held for sale and disposal groups inconsistently. The IPSASB <u>had</u> concluded that IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>, may <u>might</u> only be appropriate for the public sector in certain circumstances, for the following reasons:</p> <p>(a) Sales of assets in the public sector may <u>might</u> not be completed within one year because of the levels of approval required. This raises <u>had raised</u> questions about the relevance and consistency of information provided in accordance with IFRS 5. In particular, the IPSASB notes <u>had noted</u> that, under IFRS 5, non-current assets held for sale are not depreciated. The IPSASB has <u>had</u> concerns that not depreciating assets for an extended period of time may <u>might</u> be inappropriate.</p> <p>(b) Many assets in the public sector are disposed of through a transfer or distribution for no or nominal consideration. As IFRS 5 deals with sales at fair value, the measurement and disclosure requirements may <u>might</u> not provide relevant information for these transfers. However, the IPSASB</p>	

ED		Reason for change
	<p>recognizes <u>had recognized</u> that the measurement and disclosure requirements in IFRS 5 may <u>might</u> be appropriate where sales are intended to take place at fair value.</p> <p>(c) Many discontinued operations in the public sector are operations that previously provided services at no or nominal cost. As IFRS 5 deals with discontinued operations that were either cash-generating units or a group of cash-generating units prior to disposal or being classified as held for sale, the disclosure requirements may <u>might</u> not provide relevant information for public sector discontinued operations. However, the IPSASB recognizes <u>had recognized</u> that the disclosure requirements in IFRS 5 may <u>might</u> be appropriate where discontinued operations were previously either cash-generating units or one or more groups of cash generating units.</p> <p>Because the IPSASB had concluded that IFRS 5 would only be appropriate in the public sector in limited circumstances, the IPSASB agreed to remove references in IPSAS to international or national accounting standards dealing with non-current assets held for sale and discontinued operations. The IPSASB had concerns that retaining this reference may <u>might</u> result in entities following the requirements of IFRS 5 in circumstances where this may <u>might</u> not be appropriate. The IPSASB <u>had</u> noted that IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, provides guidance on selecting accounting policies for transactions that are not specifically addressed in IPSASs. This guidance would permit entities to adopt an accounting policy that is consistent with IFRS 5 where the entity considers this is appropriate.</p>	
ED79	<p><u>BC11A. In developing [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> the IPSASB concluded that in certain circumstances it would be appropriate for public sector entities to apply the requirements of IFRS. As a result, all the relevant references have been added.</u></p>	
	...	
	<p>Revision of IPSAS 31 as a result of <i>Improvements to IPSAS, 2018</i></p>	
ED77	<p>BC13. Paragraph 109 requires an entity to test an intangible asset for impairment when reassessing its useful life. When this standard was issued, such a test was only required for intangible assets measured under the <u>historical</u> cost model. Following the publication of <i>Impairment of Revalued Assets</i> (Amendments to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and</p>	

ED		Reason for change
	IPSAS 26, <i>Impairment of Cash-Generating Assets</i>) in July 2016, this test is required for all intangible assets, and paragraph 109 has been amended accordingly.	
	<u>Revision of IPSAS 31 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC14. <u>[Draft] IPSAS [X] (ED 77), issued in [Month] [Year], provides generic guidance on the initial and subsequent measurement of assets, to ensure a consistent approach across all IPSAS. The IPSASB agreed to remove guidance on measurement in IPSAS 31 where such guidance was now provided in [draft] IPSAS [X] (ED 77), and to refer preparers to the guidance in that Standard.</u>	
ED77	BC15. <u>[Draft] IPSAS [X] (ED 77), introduces a public sector current value model measurement basis, current operational value. This measurement basis is primarily applied when assets are held for their operational capacity. When [draft] IPSAS [X] (ED 77) was issued, the IPSASB concluded intangible assets have a single use. As such they are always held for their highest and best use and measurement is therefore consistent with fair value measurement. Current operational value was therefore not added as an available measurement basis to IPSAS 31.</u>	
	<u>Revision of IPSAS 31 as a result of [draft] ED 78</u>	
ED 78	BC15. <u>During development of [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB concluded that the heritage nature of an asset does not prevent its recognition. On the basis that the same conceptual arguments apply to intangible heritage as those that apply to property, plant, and equipment the IPSASB decided to remove the heritage scope exclusion in IPSAS 31. This ensures that IPSAS 31's treatment of intangible heritage assets is consistent with the accounting treatment for heritage property, plant, and equipment. Recognition of intangible heritage assets that meet IPSAS 31's recognition criteria will provide information that users of the financial statements find useful for accountability and decision-making.</u>	
ED78	BC16. <u>The IPSASB considered whether the disclosure requirements in ED 78 for unrecognized heritage property, plant, and equipment should also apply to unrecognized intangible heritage assets. On the basis that disclosure requirements in ED 78 will provide useful information for accountability and decision-making on intangible heritage assets that are not recognized because their cost or fair value cannot be measured reliably, the IPSASB concluded that the same disclosure requirements should apply to intangible heritage assets. The IPSASB decided, therefore, to</u>	

ED		Reason for change																
	<u>add application guidance that sets out disclosure requirements with respect to unrecognized intangible heritage assets.</u>																	
	...																	
	Illustrative Examples																	
	<i>These examples accompany, but are not part of, IPSAS 31.</i>																	
	...																	
	Examples Illustrating the Application Guidance																	
ED78	<p>IE22. The purpose of the table is to illustrate examples of expenditure that occur during each of the stages described in paragraphs AG2-AG3 and to illustrate application of paragraphs AG4-AG11 to assist in clarifying their meaning. It is not intended to be a comprehensive checklist of expenditure that might be incurred.</p> <table><tr><th>STAGE/NATURE OF EXPENDITURE</th><th>ACCOUNTING TREATMENT</th></tr><tr><td colspan="2">Planning</td></tr><tr><td>...</td><td>...</td></tr><tr><td colspan="2">Application and Infrastructure Development</td></tr><tr><td>...</td><td>Apply the requirements of IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>.</td></tr><tr><td colspan="2">Graphical Design Development</td></tr><tr><td>...</td><td>...</td></tr><tr><td></td><td></td></tr></table>	STAGE/NATURE OF EXPENDITURE	ACCOUNTING TREATMENT	Planning		Application and Infrastructure Development		...	Apply the requirements of IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	Graphical Design Development				
STAGE/NATURE OF EXPENDITURE	ACCOUNTING TREATMENT																	
Planning																		
...	...																	
Application and Infrastructure Development																		
...	Apply the requirements of IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>																	
Graphical Design Development																		
...	...																	
ED78	<p>Comparison with IAS 38</p> <p>IPSAS 31, <i>Intangible Assets</i> is drawn primarily from IAS 38, <i>Intangible Assets</i> (as at December 31, 2008). The main differences between IPSAS 31 and IAS 38 are as follows:</p> <ul style="list-style-type: none">• IPSAS 31 includes a scope exclusion for the powers and rights conferred by legislation, a constitution, or by equivalent means.• IPSAS 31 incorporates the guidance contained in the Standing Interpretation Committee's Interpretation 32, <i>Intangible Assets—Web Site Costs</i> as Application Guidance to illustrate the relevant																	

ED		Reason for change
	<p>accounting principles.</p> <ul style="list-style-type: none"> IPSAS 31 does not require or prohibit the recognition of includes paragraphs that describe intangible heritage assets, and states that an entity is required to comply with the disclosure requirements of this Standard with respect to intangible heritage assets that have been recognized. It has application guidance that requires disclosure on intangible heritage assets that have not been recognized. IAS 38 does not have similar guidance. IAS 38 contains guidance on intangible assets acquired by way of a government grant. Paragraphs 31 of IPSAS 31 modifies this guidance to refer to intangible assets acquired through non-exchange transactions. IPSAS 31 states that where an intangible asset is acquired through a non-exchange transaction, the cost is its fair value as at the date it is acquired. IAS 38 provides guidance on exchanges of assets when an exchange transaction lacks commercial substance. IPSAS 31 does not include this guidance. The examples included in IAS 38 have been modified to better address public sector circumstances. <ul style="list-style-type: none"> IPSAS 31 uses different terminology, in certain instances, from IAS 38. The most significant examples are the use of the terms “revenue,” “statement of financial performance,” “surplus or deficit,” “future economic benefits or service potential,” “accumulated surpluses or deficits,” “operating/operation,” “rights from binding arrangements (including rights from contracts or other legal rights),” and “net assets/equity” in IPSAS 31. The equivalent terms in IAS 38 are “income,” “statement of comprehensive income,” “profit or loss,” “future economic benefits,” “retained earnings,” “business,” “contractual or other legal rights,” and “equity.” 	
	Amendments to 32, Service Concession Arrangements: Grantor	
ED78	Paragraphs 12, 13, 33, AG11, AG16, AG17, AG20, AG23, AG24, AG25, AG30, AG33, AG35 and AG48 are amended. Paragraph 36H is added. New text is underlined, and deleted text is struck through.	
	...	
	Recognition and Measurement of a Service Concession Asset (see paragraphs AG5-AG35)	
	...	
ED78	12. Where an existing asset of the grantor meets the conditions specified in paragraph 9(a) and 9(b) (or paragraph 10 for a whole-of-life asset), the grantor shall reclassify the existing asset as a service concession asset. The reclassified service concession asset shall be accounted for in	

ED		Reason for change
	accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> , <i>Property, Plant, and Equipment</i> or IPSAS 31, <i>Intangible Assets</i> , as appropriate.	
ED78	13. After initial recognition or reclassification, service concession assets shall be accounted for in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate.	
	...	
	Presentation and Disclosure (see paragraphs AG65-AG67)	
	...	
ED78	33. The disclosures required in accordance with paragraph 32 are provided individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature (e.g., toll collections, telecommunications or water treatment services). This disclosure is in addition to the disclosures required in IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and/or IPSAS 31 by class of assets. Service concession assets within service concession arrangements of a similar nature that are reported in aggregate may form a subset of a class of assets disclosed in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and/or IPSAS 31 or may be included in more than one class of assets disclosed in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and/or IPSAS 31. For example, for the purposes of IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> a toll bridge may be included in the same class as other bridges. For the purposes of this paragraph, the toll bridge may be included with service concession arrangements reported in aggregate as toll roads.	
	...	
	Effective Date	
	...	
ED78	36H. Paragraphs 12, 13, 33, AG11, AG16, AG17, AG20, AG23, AG24, AG25, AG30, AG33, AG35 and AG48 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.	
	...	

ED		Reason for change
	Application Guidance	
	<i>This Appendix is an integral part of IPSAS 32.</i>	
	...	
	Recognition and Initial Measurement of a Service Concession Asset (see paragraphs 9-13)	
	<i>Recognition of a Service Concession Asset</i>	
	...	
ED78	AG11. The conditions in paragraphs 9(a) and 9(b) together identify when the asset, including any replacements required, is controlled by the grantor for the whole of its economic life. For example, if the operator has to replace part of an asset during the period of the arrangement (e.g., the top layer <u>or surface</u> of a road or the roof of a building), the asset is considered as a whole. Thus the condition in paragraph 9(b) is met for the whole of the asset, including the part that is replaced, if the grantor controls any significant residual interest in the final replacement of that part.	
	...	
	Existing Asset of the Grantor	
	...	
ED78	AG16. In applying the impairment tests in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate, the grantor does not necessarily consider the granting of the service concession to the operator as a circumstance that causes impairment, unless there has been a change in use of the asset that affects its future economic benefits or service potential. The grantor refers to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> or IPSAS 26, as appropriate, to determine whether any of the indicators of impairment have been triggered under such circumstances.	
ED78	AG17. If the asset no longer meets the conditions for recognition in paragraph 9 (or paragraph 10 for a whole-of-life asset), the grantor follows the derecognition principles in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate. For example, if the asset is transferred to the operator on a permanent basis, it is derecognized. If the asset is transferred on a temporary basis, the grantor considers the substance of this term of the service concession arrangement in determining whether the asset should be derecognized. In such cases, the grantor also considers whether the arrangement is a lease transaction or a	

ED		Reason for change
	sale and leaseback transaction that should be accounted for in accordance with IPSAS 13.	
	...	
	Constructed or Developed Asset	
ED78	<p>AG20. Where a constructed or developed asset meets the conditions in paragraph 9 (or paragraph 10 for a whole-of-life asset) the grantor recognizes and measures the asset in accordance with this Standard. IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate, set out the criteria for when a service concession asset should be recognized. Both IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> and IPSAS 31 require that an asset shall be recognized if, and only if:</p> <ul style="list-style-type: none"> (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) The cost or fair value of the item can be measured reliably. 	
	...	
ED78	<p>AG23. The second recognition criterion requires that the initial cost or fair value of the asset can be measured reliably. Accordingly, to meet the recognition criteria in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate, the grantor must have reliable information about the cost or fair value of the asset during its construction or development. For example, if the service concession arrangement requires the operator to provide the grantor with progress reports during the asset's construction or development, the costs incurred may be measurable, and would therefore meet the recognition principle in IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u> for constructed assets or in IPSAS 31 for developed assets. Also, where the grantor has little ability to avoid accepting an asset constructed or developed to meet the specifications of the contract, or a similar binding arrangement, the costs are recognized as progress is made towards completion of the asset. Thus, the grantor recognizes a service concession asset and an associated liability.</p>	
	<i>Measurement of Service Concession Assets</i>	
ED78	<p>AG24. Paragraph 11 requires service concession assets recognized in accordance with paragraph 9 (or paragraph 10 for a whole-of-life asset) to be measured initially at fair value. In particular, fair value is used to determine the cost of a constructed or developed service concession asset or the cost of any upgrades to existing assets, on initial recognition. The requirement in paragraph 11 does not apply to existing assets of the grantor that are reclassified as service concession assets in accordance</p>	

ED		Reason for change
	with paragraph 12 of this Standard. The use of fair value on initial recognition does not constitute a revaluation under IPSAS 17 <u>IPSAS [X] (ED 78)</u> or IPSAS 31.	
ED78	<p>AG25. The type of compensation exchanged between the grantor and the operator affects how the fair value of the service concession asset is determined on initial recognition. The paragraphs that follow outline how to determine the fair value of the asset on initial recognition based on the type of compensation exchanged:</p> <p>(a) 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.</p> <p>(b) Where the grantor does not make payments to the operator for the asset, the asset is accounted for in the same way as an exchange of non-monetary assets in IPSAS 17<u>IPSAS [X] (ED 78)</u> and IPSAS 31.</p>	
	...	
	Separable Payments	
	...	
ED78	<p>AG30. IPSAS 17<u>IPSAS [X] (ED 78)</u> and IPSAS 31 require initial measurement of an asset acquired in an exchange transaction at cost, which is the cash price equivalent of the asset. For exchange transactions, the transaction price is considered to be fair value, unless indicated otherwise. Where the asset and service components of payments are separable, the cash price equivalent of the service concession asset is the present value of the service concession asset component of the payments. However, if the present value of the asset portion of the payments is greater than fair value, the service concession asset is initially measured at its fair value.</p>	
	...	
	Operator Receives Other Forms of Compensation	
ED78	<p>AG33. The types of transactions referred to in paragraph 17(b) are non-monetary exchange transactions. Paragraph 3820 of IPSAS 17<u>IPSAS [X] (ED 78)</u> and paragraph 44 of IPSAS 31, as appropriate, provide guidance on these circumstances.</p>	
	...	
	<i>Subsequent Measurement</i>	

ED		Reason for change
ED78	AG35. After initial recognition, a grantor applies IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and IPSAS 31 to the subsequent measurement and derecognition of a service concession asset. IPSAS 21 and IPSAS 26 are also applied in considering whether there is any indication that a service concession asset is impaired. These requirements in these Standards are applied to all assets recognized or classified as service concession assets in accordance with this Standard.	
	...	
	Recognition and Measurement of Liabilities (see paragraphs 14-28)	
	...	
	<i>Grant of a Right to the Operator Model (see paragraphs 24-26)</i>	
	...	
ED78	AG48. When the grantor compensates the operator for the service concession asset and service by the provision of a revenue-generating asset, other than the service concession asset, revenue is recognized and the liability recognized in accordance with paragraph 24 is reduced in a manner similar to that described in paragraph AG47. In such cases, the grantor also considers the derecognition requirements in IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> or IPSAS 31, as appropriate.	
	...	
	Basis for Conclusions	
	...	
	Revision of IPSAS 32 as a result of Part II of <i>Improvements to IPSASs 2015: issues raised by stakeholders</i>	
ED78	BC49. <u>When this Standard was issued</u> t The IPSASB had <u>had</u> its attention drawn to a possible inconsistency between the requirements in IPSAS 32 and the requirements in IPSAS 17 and IPSAS 31. The requirements in IPSAS 32 could <u>have been</u> seen as requiring service concession assets to be presented as a single class of assets, even if they were of a dissimilar nature and function. As it is <u>was</u> not the intention of the IPSASB to require that dissimilar assets be reported as if they were similar, the IPSASB <u>had</u> decided to propose clarifications to IPSAS 32 to make its intentions clear. The IPSASB <u>had</u> considered whether these changes would reduce the information available to users, but is <u>was</u> satisfied that the <u>then</u> current disclosure requirements, in particular those in paragraph 32, <u>would</u> ensure high quality disclosures about assets subject to service concession arrangements. <u>In developing</u> [draft] IPSAS <u>[X]</u>	

ED		Reason for change														
	<u>(ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable.</u>															
ED78	<p>BC50. The IPSASB <u>had</u> noted that the reclassification of service concessions assets could require a change in measurement basis for some entities. For example, some service concession assets measured using the revaluation model, might <u>have been</u> reclassified into a class of assets measured using the cost model. Equally, some service concession assets <u>that were</u> measured using the cost model, might <u>have been</u> reclassified into a class of assets measured using the revaluation model. Because the balance between the service concession assets and the other assets in a class will vary from entity to entity, the IPSASB <u>had</u> agreed to permit entities to select the measurement basis to be applied at the point of reclassification. The IPSASB <u>had</u> also noted that the information required to retrospectively apply the cost model might not <u>have been</u> readily available. Consequently, the IPSASB <u>had</u> agreed to permit entities to use the carrying amounts determined under the revaluation model as deemed cost at the point of reclassification where an entity <u>elects</u> to measure a class of assets using the cost model. <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78), while the cost model in IPSAS 17 is labeled the historical cost model.</u></p>															
	...															
	Implementation Guidance															
	...															
	Accounting Framework for Service Concession Arrangements															
	...															
	References to IPSASs that Apply to Typical Types of Arrangements Involving an Asset Combined with Provision of a Service															
	...															
ED78	IG4. Shaded text shows arrangements within the scope of IPSAS 32.															
ED78	<table><tr><th>Category</th><th>Lessee</th><th colspan="3">Service provider</th><th colspan="2">Owner</th></tr><tr><td>Typical arrangement types</td><td>Lease (e.g., operator leases asset)</td><td>Service and/or maintenance contract (specific</td><td>Rehabilitate-operate-transfer</td><td>Build-operate-transfer</td><td>Build-own-operate</td><td>100% Divestment/Privatization/ Corporation</td></tr></table>	Category	Lessee	Service provider			Owner		Typical arrangement types	Lease (e.g., operator leases asset)	Service and/or maintenance contract (specific	Rehabilitate-operate-transfer	Build-operate-transfer	Build-own-operate	100% Divestment/Privatization/ Corporation	
Category	Lessee	Service provider			Owner											
Typical arrangement types	Lease (e.g., operator leases asset)	Service and/or maintenance contract (specific	Rehabilitate-operate-transfer	Build-operate-transfer	Build-own-operate	100% Divestment/Privatization/ Corporation										

ED								Reason for change
		from grantor)	tasks e.g., debt collection, facility management)					
	Asset ownership	Grantor				Operator		
	Capital investment	Grantor		Operator				
	Demand risk	Shared	Grantor	Grantor and/or Operator		Operator		
	Typical duration	8–20 years	1–5 years	25–30 years			Indefinite (or may be limited by binding arrangement or license)	
	Residual interest	Grantor				Operator		
	Relevant IPSASs	IPSAS 13	IPSAS 1	This IPSAS/ IPSAS 17[draft] IPSAS [X] (ED 78), <u>Property, Plant, and Equipment</u> /IPSAS 31		IPSAS 17[draft] IPSAS [X] (ED 78)/IPSAS 31 (derecognition) ...		
	...							
	Illustrative Examples							
	...							
	Arrangement Terms (Common to All Three Examples)							
	...							
ED78	IE5. The terms of the arrangement also require the operator to resurface the road when the original surface has deteriorated below a specified condition. The operator estimates that it will have to undertake the resurfacing at the end of year 8 at a fair value current operational value of CU110. The compensation to the operator for this service is included in the predetermined series of payments and/or the revenue the operator has the right to earn from the service concession asset or another revenue-generating asset granted to the operator by the grantor.							
ED78	IE6. It is assumed that the original road surface is a separate component of the service concession asset and meets the criteria for recognition specified in IPSAS 17[draft] IPSAS [X]							

ED		Reason for change								
	<p>(ED 78), <i>Property, Plant, and Equipment</i> when the service concession asset is initially recognized. It is further assumed that there is sufficient certainty regarding the timing and amount of the resurfacing work for it to be recognized as a separate component when the resurfacing occurs. It is assumed that the expected cost of the resurfacing can be used to estimate the initial cost of the surface layers recognized as a separate component of the service concession asset. The road surface is therefore recognized as a separate component of the initial fair value of the service concession asset and measured at the estimated fair value <u>current operational value</u> of the resurfacing and depreciated over years 3–8. This depreciation period is shorter than that for the road base (<u>substructure</u>) and takes into account that resurfacing would ordinarily occur over six years, rather than 25 years. During the construction phase, it is assumed that only the road base is constructed in year 1, and that the road only becomes ready to use at the end of year 2.</p>									
ED78	<p>...</p> <p>IE8. At the beginning of year 3, the total fair value <u>current operational value</u> of the road is CU1,050, comprised of CU940 related to the construction of the base layers and CU110 related to construction of the surface layers. The fair value current operational value of the surface layers is used to estimate the fair value <u>current operational value</u> of the resurfacing (which is treated as a replacement component in accordance with IPSAS 17[draft] <u>IPSAS [X]</u> (ED 78). The estimated life of surface layers (i.e., six years) is also used to estimate the depreciation of the replacement component in years 9 and 10. The total initial fair value <u>current operational value</u> of the road is lower than the present value of the series of predetermined payments pertaining to the asset, where applicable.</p>									
ED78	<p>...</p> <p>IE15. The grantor’s accounting policy for property, plant, and equipment is to recognize such assets using the <u>historical cost model</u> specified in IPSAS 17[draft] <u>IPSAS [X]</u> (ED 78).</p> <p>Exhibit 1: Fair Values of the Components of the Arrangement (Currency Units)</p>									
ED78	<table><tr><th>Arrangement Component</th><th>Fair Value</th></tr><tr><td>Road – base layers (<u>substructure</u>)</td><td>940</td></tr><tr><td>Road – original surface layers</td><td>110</td></tr><tr><td>Total FV <u>Current operational</u></td><td>1,050</td></tr></table>	Arrangement Component	Fair Value	Road – base layers (<u>substructure</u>)	940	Road – original surface layers	110	Total FV <u>Current operational</u>	1,050	
Arrangement Component	Fair Value									
Road – base layers (<u>substructure</u>)	940									
Road – original surface layers	110									
Total FV <u>Current operational</u>	1,050									

ED		Reason for change																																																																								
	<table><tr><td>value of road</td><td></td></tr><tr><td>Annual service component</td><td>12</td></tr><tr><td>Effective interest rate</td><td>6.18%</td></tr></table>	value of road		Annual service component	12	Effective interest rate	6.18%																																																																			
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ED78	IE22. The grantor's cash flows, statement of financial performance, and statement of financial position over the duration of the arrangement will be as illustrated in Tables 1.1 to 1.3. In addition, Table 1.4 shows the changes in the financial liability.																																																																									
ED78	<p>Table 1.2 Statement of Financial Performance (Currency Units)</p> <table><tr><th>Year</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th><th>Total</th></tr><tr><td>Service expense</td><td>–</td><td>–</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(12)</td><td>(96)</td></tr><tr><td>Finance charge</td><td>–</td><td>(32)</td><td>(67)</td><td>(59)</td><td>(51)</td><td>(43)</td><td>(34)</td><td>(25)</td><td>(22)</td><td>(11)</td><td>(344)</td></tr><tr><td>Depreciation – base layers</td><td>–</td><td>–</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(38)</td><td>(304)</td></tr><tr><td>Depreciation – original surface layer</td><td>–</td><td>–</td><td>(18)</td><td>(19)</td><td>(18)</td><td>(18)</td><td>(19)</td><td>(18)</td><td>–</td><td>–</td><td>(110)</td></tr><tr><td>Depreciation – replacement surface layer</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>(18)</td><td>(19)</td><td>(37)</td></tr></table>	Year	1	2	3	4	5	6	7	8	9	10	Total	Service expense	–	–	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(96)	Finance charge	–	(32)	(67)	(59)	(51)	(43)	(34)	(25)	(22)	(11)	(344)	Depreciation – base layers	–	–	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(304)	Depreciation – original surface layer	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)	Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)	
Year	1	2	3	4	5	6	7	8	9	10	Total																																																															
Service expense	–	–	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(96)																																																															
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Depreciation – base layers	–	–	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(304)																																																															
Depreciation – original surface layer	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)																																																															
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)																																																															

ED												Reason for change	
	Total depreciation	–	–	(56)	(57)	(56)	(56)	(57)	(56)	(56)	(57)	(451)	
	Annual surplus/ (deficit)	–	(32)	(135)	(128)	(119)	(111)	(103)	(93)	(90)	(80)	(891)	
	NOTES:												
	Depreciation in years 3–8 reflects the depreciation on the initially-constructed road surface. It is fully depreciated over that period. Depreciation in years 9–10 reflects the depreciation on the new service concession asset component (surface) recognized in year 8.												
	Although these Illustrative Examples use a straight-line depreciation method, it is not intended that this method be used in all cases. Paragraph 7655 of IPSAS 17[draft] IPSAS [X] (ED 78) requires that, “The depreciation method shall reflect the pattern in which the asset’s future economic benefits or service potential is expected to be consumed by the entity.” Likewise, for intangible assets, paragraph 96 of IPSAS 31 requires that, “The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life.”												
	Table 1.3 Statement of Financial Position (Currency Units)												
	Year	1	2	3	4	5	6	7	8				
	Service concession asset – base layers	525	940	902	864	826	788	750	712				
	Service concession asset – original surface layer	–	110	92	73	55	37	18	–				
	Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110				
Total Service concession asset	525	1,050	994	937	881	825	768	822					
Cash	–	–	(200)	(400)	(600)	(800)	(1,000)	(1,200)					
Financial liability	(525)	(1,082)	(961)	(832)	(695)	(550)	(396)	(343)					
Cumulative surplus/deficit	–	32	167	295	414	525	628	721					
NOTES:													
In this example, the resurfacing occurs as expected in year 8, when the initially-constructed road surface is fully depreciated. If the resurfacing occurred earlier, the initially-constructed road surface would not be fully depreciated, and derecognized in accordance with IPSAS 17[draft] IPSAS [X] (ED 78) before the new component of the asset related to the resurfacing is recognized.													
The new component of the service concession asset related to the resurfacing is recognized in year 8. Years 9–10 reflect depreciation on this additional component (Table 1.2).													
The financial liability is increased in year 8 for the recognition of the new component of the service concession asset.													

ED		Reason for change																																																																																								
	...																																																																																									
	Example 2: The Grantor Gives the Operator the Right to Charge Users a Toll for Use of the Road																																																																																									
	Overview of Cash Flows, Statement of Financial Performance, and Statement of Financial Position																																																																																									
	...																																																																																									
	Financial Statement Impact																																																																																									
ED78	IE24. The grantor initially recognizes the service concession asset as property, plant, and equipment at its fair value <u>current operational value</u> (total CU1,050, comprised of CU940 related to construction of the base layers and CU110 related to construction of the original surface layers). The asset is recognized as it is constructed (CU525 in year 1 and CU525 in year 2). Depreciation is taken annually (CU56, comprised of CU38 for the base layers and CU18 for the surface layers, starting in year 3).																																																																																									
	...																																																																																									
	Cash Flows																																																																																									
ED78	IE30. Because there are no payments made to the operator, there are no cash flow impacts for this example.																																																																																									
ED78	<div>Table 2.2 Statement of Financial Position (Currency Units)</div> <table><tr><th>Year</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr><tr><td>Service concession asset – base layers</td><td>525</td><td>940</td><td>902</td><td>864</td><td>826</td><td>788</td><td>750</td><td>712</td><td>674</td><td>636</td></tr><tr><td>Service concession asset – original surface layer</td><td>–</td><td>110</td><td>92</td><td>73</td><td>55</td><td>37</td><td>18</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Service concession asset – replacement surface layer</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>110</td><td>92</td><td>73</td></tr><tr><td>Total Service concession asset</td><td>525</td><td>1,050</td><td>994</td><td>937</td><td>881</td><td>825</td><td>768</td><td>822</td><td>766</td><td>709</td></tr><tr><td>Cash</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Liability</td><td>(525)</td><td>(1,050)</td><td>(905)</td><td>(760)</td><td>(615)</td><td>(470)</td><td>(325)</td><td>(290)</td><td>(145)</td><td>–</td></tr><tr><td>Cumulative surplus/deficit</td><td>–</td><td>–</td><td>(89)</td><td>(177)</td><td>(266)</td><td>(355)</td><td>(443)</td><td>(532)</td><td>(621)</td><td>(709)</td></tr></table>	Year	1	2	3	4	5	6	7	8	9	10	Service concession asset – base layers	525	940	902	864	826	788	750	712	674	636	Service concession asset – original surface layer	–	110	92	73	55	37	18	–	–	–	Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110	92	73	Total Service concession asset	525	1,050	994	937	881	825	768	822	766	709	Cash	–	–	–	–	–	–	–	–	–	–	Liability	(525)	(1,050)	(905)	(760)	(615)	(470)	(325)	(290)	(145)	–	Cumulative surplus/deficit	–	–	(89)	(177)	(266)	(355)	(443)	(532)	(621)	(709)	
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ED		Reason for change																																																							
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	<div>Example 3: The Grantor Makes a Predetermined Series of Payments to the Operator and Also Grants the Operator the Right to Charge Users a Toll for Use of the Road</div> <div>...</div>																																																								
	<div>Financial Statement Impact</div>																																																								
ED78	<div>IE32. The grantor initially recognizes the service concession asset as property, plant, and equipment at its fair value^{current operational value} (total CU1,050, comprised of CU940 related to construction of the base layers and CU110 related to construction of the original surface layers). The asset is recognized as it is constructed (CU525 in year 1 and CU525 in year 2). Depreciation is taken annually (CU56, comprised of CU38 for the base layers and CU18 for the surface layers).</div> <div>...</div>																																																								
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ED78	<div>Table 3.3 Statement of Financial Position (Currency Units)</div> <table><tr><th>Year</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr><tr><td>Service concession asset – base layers</td><td>525</td><td>940</td><td>902</td><td>864</td><td>826</td><td>788</td><td>750</td><td>712</td><td>674</td><td>636</td></tr><tr><td>Service concession asset – surface layer</td><td>–</td><td>110</td><td>92</td><td>73</td><td>55</td><td>37</td><td>18</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Service concession asset – replacement surface layer</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>110</td><td>92</td><td>73</td></tr><tr><td>Total service concession asset</td><td>525</td><td>1,050</td><td>994</td><td>937</td><td>881</td><td>825</td><td>768</td><td>822</td><td>766</td><td>709</td></tr></table>	Year	1	2	3	4	5	6	7	8	9	10	Service concession asset – base layers	525	940	902	864	826	788	750	712	674	636	Service concession asset – surface layer	–	110	92	73	55	37	18	–	–	–	Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110	92	73	Total service concession asset	525	1,050	994	937	881	825	768	822	766	709	
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	<table><tr><td>Cash</td><td>–</td><td>–</td><td>(100)</td><td>(200)</td><td>(300)</td><td>(400)</td><td>(500)</td><td>(600)</td><td>(700)</td><td>(800)</td></tr><tr><td>Liability</td><td>(262)</td><td>(525)</td><td>(452)</td><td>(380)</td><td>(307)</td><td>(235)</td><td>(162)</td><td>(145)</td><td>(72)</td><td>–</td></tr><tr><td>Financial liability</td><td>(263)</td><td>(541)</td><td>(480)</td><td>(416)</td><td>(348)</td><td>(276)</td><td>(199)</td><td>(172)</td><td>(89)</td><td>–</td></tr><tr><td>Cumulative surplus/deficit</td><td>–</td><td>16</td><td>38</td><td>59</td><td>74</td><td>86</td><td>93</td><td>95</td><td>95</td><td>91</td></tr></table> <p>NOTES:</p> <p>In this example, the resurfacing occurs as expected in year 8, when the initially-constructed road surface is fully depreciated. If the resurfacing occurred earlier, the initially-constructed road surface would not be fully depreciated, and would need to be derecognized in accordance with IPSAS 17^[draft] IPSAS [X] (ED 78) before the new component of the service concession asset related to the resurfacing is recognized.</p> <p>The new component of the service concession asset related to the resurfacing is recognized in year 8. Years 9–10 reflect depreciation on this additional component (Table 3.2).</p> <p>The liability is increased in year 8 for the recognition of 50% of the new component of the service concession asset.</p> <p>The financial liability is increased in year 8 for the recognition of 50% of the new component of the service concession asset.</p>	Cash	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)	Liability	(262)	(525)	(452)	(380)	(307)	(235)	(162)	(145)	(72)	–	Financial liability	(263)	(541)	(480)	(416)	(348)	(276)	(199)	(172)	(89)	–	Cumulative surplus/deficit	–	16	38	59	74	86	93	95	95	91	
Cash	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)																																				
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	Amendments to IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>																																													
ED77/ED78/ED79	Paragraphs 36, 48, 49, 64, 65, 67, 68, 69, 70, 72, 129, 131A, and 148 are amended. Paragraphs 41B, 152A–152F, 154L, 154N and 154O are added. New text is underlined, and deleted text is struck through.																																													
	...																																													
	Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSASs during the Period of Transition																																													
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ED78	<p>36. Where a first-time adopter has not recognized assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs:</p> <p>(a) <i>Inventories (see IPSAS 12, Inventories);</i></p> <p>(b) <i>Investment property (see IPSAS 16, Investment Property);</i></p>																																													

ED		Reason for change
	<p>(c) <i>Property, plant, and equipment (see IPSAS 17[draft] IPSAS [X] (ED 78), Property, Plant and Equipment);</i></p> <p>(d) <i>Defined benefit plans and other long-term employee benefits (see IPSAS 39, Employee Benefits);</i></p> <p>(e) <i>Biological assets and agricultural produce (see IPSAS 27, Agriculture);</i></p> <p>(f) <i>Intangible assets (see IPSAS 31, Intangible Assets);</i></p> <p>(g) <i>Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model (see IPSAS 32, Service Concession Arrangements: Grantor);</i></p> <p>(h) <i>Financial instruments (see IPSAS 41, Financial Instruments); and</i></p> <p>(i) <i>Social benefits (see IPSAS 42, Social Benefits).</i></p>	
	...	
ED77	<p>41B. <u>A first-time adopter shall apply the guidance in [draft] IPSAS [X] (ED 77) when measuring assets and/or liabilities at fair value, cost of fulfillment, current operational value or historical cost.</u></p>	
	...	
	Other Exemptions	
	...	
	IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets	
ED 78	<p>48. Where a first-time adopter takes advantage of the exemption in paragraph 36 which allows a three year transitional relief period to not recognize and/or measure property, plant, and equipment, it is not required to recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption for IPSAS 17[draft] IPSAS [X] (ED 78) has expired, and/or the relevant asset is recognized and/or measured in accordance with IPSAS 17[draft] IPSAS [X] (ED 78) (whichever is earlier).</p>	
ED 78	<p>49. This IPSAS allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to not recognize and/or measure property, plant, and equipment. IPSAS 17[draft] IPSAS [X] (ED 78) requires an entity to include as part of the cost of an item of property, plant, and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Where a first-time adopter takes advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of property, plant, and equipment, a first-time adopter is not required to apply the requirements related to the</p>	

ED		Reason for change
	<p>initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption that provided the relief has expired, and/or when the relevant asset is recognized and/or measured in accordance with IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u> (whichever is earlier). The liability shall be measured as at the date of adoption of IPSASs, or where a first-time adopter has taken advantage of the exemption that allows a three year transitional relief period for the recognition and/or measurement of an asset, the date on which the exemption that provides the relief has expired and/or the asset has been recognized and/or measured in accordance with the applicable IPSASs.</p>	
	...	
	<p>Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSASs During the Period of Adoption</p>	
	...	
	<p><i>Using Deemed Cost to Measure Assets and/or Liabilities</i></p>	
ED 78	<p>64. A first-time adopter may elect to measure the following assets and/or liabilities at their fair value when reliable cost information about the assets and liabilities is not available, and use that fair value as the deemed cost for:</p> <ul style="list-style-type: none"> (a) Inventory (see IPSAS 12); (b) Investment property, if the first-time adopter elects to use the <u>historical</u> cost model in IPSAS 16; (c) Property, plant, and equipment (see IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>); (d) Intangible assets, other than internally generated intangible assets (see IPSAS 31) that meets: <ul style="list-style-type: none"> (i) The recognition criteria in IPSAS 31 (excluding the reliable measurement criterion); and (ii) The criteria in IPSAS 31 for revaluation (including the existence of an active market); € Financial Instruments (see IPSAS 41); or (f) Service concession assets (see IPSAS 32). 	
ED77	<p>65. Deemed cost can only be determined where the acquisition cost of the asset and/or the liability is not available. Deemed cost assumes that the entity had initially recognized the asset and/ or the liability at the given date. Subsequent depreciation or amortization is based on that deemed cost on the premise that the acquisition cost is equal to the deemed cost. For example, a first-time adopter may</p>	

ED		Reason for change
	<p>elect to measure property, plant and equipment at deemed cost at the date of adoption of IPSASs because cost information about the item of property, plant and equipment was not available on that date, and use fair value as its deemed cost at that date. Any subsequent depreciation is based on the fair value <u>measured</u> determined at that date and starts from the date that the deemed cost has been determined.</p>	
	...	
ED78	<p>66. The use of deemed cost is not considered a revaluation or the application of the fair <u>current</u> value model for subsequent measurement in accordance with other IPSASs.</p>	
ED78	<p>67. A first-time adopter may elect to use the revaluation amount of property, plant, and equipment under its previous basis of accounting as deemed cost if the revaluation was, at the date of the revaluation, broadly comparable to:</p> <ul style="list-style-type: none"> (a) Fair value or <u>current operational value</u>; or (b) Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index. 	
ED78	<p>68. A first-time adopter may have established a deemed cost in accordance with its previous basis of accounting for property, plant, and equipment by measuring it at fair value <u>or current operational value</u> at one particular date because of a specific event:</p> <ul style="list-style-type: none"> (a) If the measurement date is at or before the date of adoption of IPSASs, a first-time adopter may use such event-driven fair value or <u>current operational value</u> measurements as deemed cost for IPSASs at the date of that measurement. (b) If the measurement date is after the date of adoption of IPSASs, but during the period of transition where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the event-driven fair value <u>current operational value</u> measurements may be used as deemed cost when the event occurs. A first-time adopter shall recognize the resulting adjustments directly in accumulated surplus or deficit when the asset is recognized and/or measured. 	
ED77/ED78	<p>69. In measuring determining the fair value <u>or current operational value</u> in accordance with paragraph 67, the first-time adopter shall apply the definition of fair value <u>or current operational value</u> and guidance</p>	

ED		Reason for change
	<p>in [draft] IPSAS [X] (ED 77) to measure other applicable IPSASs in determining the fair value <u>or current operational value</u> of the asset in question. The fair value <u>or current operational value</u> shall reflect conditions that existed at the date on which it was determined.</p>	
ED77	<p>70. If reliable market-based evidence of <u>observable inputs of fair value is are not</u> available for inventory, or investment property that is of a specialized nature, <u>or property, plant, and equipment</u> a first-time adopter may consider the following measurement alternatives in determining a deemed cost:</p> <ul style="list-style-type: none"> (a) For inventory, current replacement cost; and (b) For investment property of a specialized nature, depreciated replacement cost; and (c) <u>For property, plant, and equipment, current operational value.</u> 	
	...	
	<p><i>Using Deemed Cost for Investments in Controlled Entities, Joint Ventures and Associates (IPSAS 34)</i></p>	
ED77	<p>72. Where a first-time adopter measures an investment in a controlled entity, joint venture or associate at cost in its separate financial statements, it may, on the date of adoption of IPSASs, elect to measure that investment at one of the following amounts in its separate opening statement of financial position:</p> <ul style="list-style-type: none"> (a) Cost; or (b) Deemed cost. The deemed cost of such an investment shall be its fair value (determined in accordance with IPSAS 41) at the first-time adopter's date of adoption of IPSASs in its separate financial statements. 	
	...	
ED77	<p>129. If a controlled entity becomes a first-time adopter later than its controlling entity, except for the controlled entity of an investment entity, the controlled entity shall, in its financial statements, measure its assets and liabilities at either:</p> <ul style="list-style-type: none"> (a) The carrying amounts determined in accordance with this IPSAS that would be included in the controlling entity's consolidated financial statements, based on the controlled entity's date of adoption of IPSASs, if no adjustments were made for consolidation procedures and for the effects of the public sector combination in which the controlling entity acquired the controlled entity; or 	

ED		Reason for change
	<p>(b) The carrying amounts required by the rest of this IPSAS, based on the controlled entity's date of adoption of IPSASs. These carrying amounts could differ from those described in (a):</p> <p>(i) When the exemptions in this IPSAS result in measurements that depend on the date of adoption of IPSASs.</p> <p>(ii) When the accounting policies used in the controlled entity's financial statements differ from those in the consolidated financial statements. For example, the controlled entity may use as its accounting policy the <u>historical cost model</u> in IPSAS 17[draft] IPSAS [X] (ED 78), whereas the economic entity may use the revaluation<u>current value</u> model.</p>	
	...	
	IPSAS 35, Consolidated Financial Statements	
	...	
	<u>Non-controlling Interests</u>	
ED79	<p><u>131A. A first-time adopter shall apply the following requirements of IPSAS 35 prospectively from the date of transition to IPSAS:</u></p> <p>(a) <u>The requirement in paragraph 49 that the total amount recognized in the statement of changes in net assets/equity is attributed to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;</u></p> <p>(b) <u>The requirements in paragraphs 48 and 51 for accounting for changes in the controlling entity's interest in a controlled entity that do not result in the loss of control; and</u></p> <p>(c) <u>The requirements in paragraphs 53-55 for accounting for a loss of control over a controlled entity, and the related requirements of paragraph 13 of [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</u></p>	
	...	
	Disclosures	
	...	
	<i>Disclosures where Deemed Cost is Used for Inventory, Investment Property, Property, Plant and Equipment,</i>	

ED		Reason for change
	<i>Intangible Assets, Financial Instruments or Service Concession Assets</i>	
ED77	<p>148. If a first-time adopter uses fair value, or the alternative in paragraphs 64, 67 or 70, as deemed cost for inventory, investment property, property, plant and equipment, intangible assets, financial instruments, or service concession assets, its financial statements shall disclose:</p> <p>(a) The aggregate of those fair values or other measurement alternatives that were considered in determining deemed cost;</p> <p>(b) The aggregate adjustment to the carrying amounts recognized under the previous basis of accounting; and</p> <p>(c) Whether the deemed cost was determined on the date of adoption of IPSASs or during the period of transition.</p>	
	...	
	<u>Current Value Measurement</u>	
ED77	<p>152A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p>(a) For assets or liabilities that are measured at current operational value or fair value on a non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements.</p>	<p>Paragraph 152A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>152B. [Deleted] To meet the objectives in paragraph 152A, an entity shall consider all the following:</p> <p>(a) The level of detail necessary to satisfy the disclosure requirements;</p> <p>(b) How much emphasis to place on each of the various requirements;</p> <p>(c) How much aggregation or disaggregation to undertake; and</p> <p>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 152A, an entity shall disclose additional information necessary to meet those objectives.</p>	<p>Paragraph 152B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>

ED		Reason for change
ED77	<p>152C. To meet the objectives in paragraph 152A, a An entity shall disclose, at a minimum, the following information for each class of assets or liabilities measured at current operational value or fair value (including measurements based on current operational value or fair value within the scope of [draft] IPSAS [X] (ED 77), <i>Measurement</i>) in the statement of financial position after initial recognition:</p> <ul style="list-style-type: none"> (a) <u>For non-recurring current operational value or fair value measurements, the current operational value or fair value measurement at the end of the reporting period, and for non-recurring current operational value or fair value measurements, the reasons for the measurement. Non-recurring current operational value or fair value measurements of assets or liabilities are those that this Standard requires or permits in the statement of financial position in particular circumstances.</u> (b) <u>For non-recurring current operational value or fair value measurements, whether the current operational value or fair value measurements are estimated using observable or unobservable inputs. For non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u> (c) <u>For non-recurring current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An 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 current operational value or fair value (e.g. 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</u> 	

ED		Reason for change
	<p><u>unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity.</u></p> <p>(d) <u>For non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for non-recurring current operational value measurements estimated using unobservable inputs, 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 current operational value or fair value measurements from period to period).</u></p>	
ED77	<p>152D. <u>An entity shall determine appropriate classes of assets or liabilities on the basis of the following:</u></p> <p>(a) <u>The nature, characteristics and risks of the assets or liabilities; and</u></p> <p>(b) <u>The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the current operational value or fair value is observable or unobservable.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets or liabilities for which disclosures about current operational value or fair value measurements should be provided requires judgement. A class of assets or 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 IPSAS specifies the class for an assets or liabilities, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p>152E <u>For each class of assets or liabilities not measured at current operational value or fair value in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 152C(b), (c) and (d). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable</u></p>	

ED		Reason for change
	inputs, required by paragraph 152C(c). For such assets or liabilities, an entity does not need to provide the other disclosures required by this Standard.	
ED77	152F <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u>	
	Effective Date	
	...	
ED79	<u>154L. Paragraph 131A and the associated heading were added by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
	...	
ED78	<u>154N. Paragraphs 36, 48, 49, 64, 67, 68, 69 and 129 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
ED77	<u>154O. Paragraphs 65, 69, 70, 72, and 148 were amended, and paragraphs 152A–152F and 41B were added, by [draft] IPSAS [X] (ED 77), issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	Basis for Conclusions	
	<i>This Basis for Conclusions accompanies, but is not part of, IPSAS 33.</i>	
	...	
	Exemptions that Affect Fair Presentation and Compliance with Accrual Basis IPSAS	

ED		Reason for change
	<i>Transitional Exemptions Relating to the Recognition, Measurement and Classification of Non-Financial Assets</i>	
	...	
ED78	<p>BC43. In considering the relief that should be provided to a first-time adopter for the recognition of its assets, <u>when this Standard was issued</u>, the IPSASB <u>had</u> considered the <u>then</u> existing five year relief period in IPSAS 17. To encourage entities to prepare for the adoption of IPSASs in advance of the preparation of their transitional IPSAS financial statements, or their first IPSAS financial statements, the IPSASB <u>had</u> agreed that a grace period not exceeding three years should be allowed. As entities should <u>have</u> prepared well in advance for their transition to accrual basis IPSASs and not solely rely on the relief period provided in this IPSAS, the IPSASB <u>was</u> is of the view that the three year transitional period is <u>was</u> more manageable, and <u>would</u> reduces the period over which entities <u>would</u> will not be able to assert compliance with IPSASs. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u>, the IPSASB noted that these principles are still applicable.</p>	
	...	
	<i>Transitional Exemptions Relating to the Recognition of Liabilities</i>	
	Interaction Between the Asset Standards and Other IPSASs	
	...	
ED78	<p>BC57. <u>When this Standard was issued</u>, IPSAS 17 requireds an entity to include, as part of the cost of an item of property, plant, and equipment, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. IPSAS 17 requireds that the obligation for costs accounted for in accordance with IPSAS 17 was <u>is</u> recognized and measured in accordance with IPSAS 19.</p>	
ED78	<p>BC58. The IPSASB <u>had</u> agreed that it would not be possible to recognize and/or measure provisions for the initial estimate of costs to dismantle and remove the item and restore the site on which it is located until such time as the relevant item of property, plant, and equipment is <u>was</u> recognized and/or measured in accordance with IPSAS 17. A transitional relief period was therefore also provided for the recognition and/or measurement of the provision to address the timing difference. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and</u></p>	

ED		Reason for change
	<u>Equipment</u> , the IPSASB noted that these principles are still applicable.	
	...	
	Exemptions that Do Not Affect Fair Presentation and Compliance with Accrual Basis IPSAS	
	<i>Deemed Cost</i>	
	Deemed Cost for Assets and/or Liabilities	
	BC80. Some measurements in accordance with IPSASs are based on an accumulation of past costs or other transaction data. If a first-time adopter has not previously collected the necessary information, collecting or estimating it retrospectively may be costly and/or impractical. To avoid excessive cost, this IPSAS allows a first-time adopter to use the fair value as a substitute for the initial cost of inventory, investment property where the first-time adopter elects to use the <u>historical</u> cost model in IPSAS 16, property, plant and equipment, financial instruments and service concession assets at the date of adoption of IPSASs. Where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the fair value is the deemed cost at the date at which the asset is recognized and/or measured during the period of transition.	
	...	
ED78	BC82. <u>When this Standard was issued, Under the revaluation model in IPSAS 17, if an entity revalued an asset, it must had to revalue all assets in that class. This restriction prevented selective revaluation of only those assets whose revaluation would lead to a particular result. The IPSASB had considered whether a similar restriction should be included in determining a deemed cost. IPSAS 21, <i>Impairment of Non-cash-generating Assets</i> and IPSAS 26, <i>Impairment of Cash-generating Assets</i> required an impairment test if there is was any indication that an asset is was impaired. Thus, if a first-time adopter used fair value as deemed cost for assets whose fair value is was likely to be above cost, it could not cannot ignore indications that the recoverable amount or recoverable service amount of other assets may have fallen below their carrying amount. In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable when current operational value is used as deemed cost. In reaching this conclusion, the IPSASB noted that the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78).</u>	

ED		Reason for change
	...	
	Deemed Cost	
	...	
	<i>Alternative Measurement Bases for Fair Value in Determining Deemed Cost</i>	
	...	
ED78	<p>BC92. <u>When this Standard was issued, the IPSASB had considered whether some revaluations in accordance with a first-time adopter's previous basis of accounting might be more relevant to users than original cost. It was concluded that it would not be reasonable to require a time-consuming and expensive estimation of cost, if previous revaluations already complied with IPSASs. This IPSAS therefore allowed a first-time adopter to use a revaluation under its previous basis of accounting for property, plant, and equipment determined at or before the date of adoption of IPSASs, as deemed cost. This <u>was allowed to</u> may be used if the revaluation <u>is was</u>, at the date of the revaluation, broadly comparable to:</u></p> <ul style="list-style-type: none"> (a) Fair value; or (b) Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index. 	
ED77/ED78	<p>BC93. In determining "fair value", <u>when IPSAS 33 was developed, the guidance in each applicable IPSAS was is considered, where such guidance was is provided. In IPSAS 17 it was is noted that fair value was is normally determined by reference to market-based evidence, often by appraisal. IPSAS 17 also stated states that if market-based market-based evidence was is not available to measure items of property, plant and equipment, an entity could can estimate fair value using replacement cost, reproduction cost or a service units approach. In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that [draft] IPSAS [X] (ED 78) refers to historical cost rather than cost and uses current operational value rather than fair value.</u></p>	
ED77	<p>BC94. The IPSASB noted that the fair value guidance in IPSAS 16 only considered considers a market-based value, and that limited guidance was is provided in IPSAS 12 in determining fair value. The IPSASB concluded that because a first-time adopter may find it difficult to determine a market-based fair value for all investment properties and all inventories, other measurement alternatives may need to be considered in determining deemed cost for inventory or investment property.</p>	

ED		Reason for change
ED77	BC94A. The IPSASB has since issued [draft] IPSAS [X], (ED 77) <u>which provides a consistent approach to measuring fair value in all IPSAS. The IPSASB noted that the guidance in that Standard includes a fair value hierarchy, which guidance on estimation techniques that may be used where there is no observable market data. The IPSASB considered whether the continued use of measurement alternatives was appropriate, and noted that the alternatives included in IPSAS 33 are consistent with measurement techniques available in [draft] IPSAS [X], (ED 77) to estimate fair value. The IPSASB agreed to modify the wording of IPSAS 33 accordingly.</u>	
ED77	BC95. The IPSASB agreed that a first-time adopter may consider the following measurement techniques <u>alternatives</u> in determining a deemed cost if reliable market-based evidence <u>observable inputs</u> of fair value is <u>are</u> not available on the date of adoption of IPSASs, or on the date that the asset is recognized and/or measured where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets: (a) For inventory, current replacement cost; and (b) For investment property of a specialized nature, depreciated replacement cost.	
	<u>Revision of IPSAS 33 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC122. [Draft] IPSAS [X] (ED 77), <i>Measurement</i> , issued in [Month] [Year], provides generic guidance on the initial and subsequent <u>measurement of assets and liabilities, to ensure a consistent approach across all IPSAS. Paragraph 70 of this Standard permits a first-time adopter to consider replacement cost as a measurement alternative to fair value when observable inputs are not available for inventory or investment property. Since [draft] IPSAS [X] (ED 77) does not identify replacement cost as measurement bases, the IPSASB consider whether it should be replaced.</u>	
ED77	BC123. Since replacement cost is retained in IPSAS 12, <i>Inventories</i> , and IPSAS 16, <i>Investment Property</i> , the IPSASB agreed to <u>retain replacement cost in the context of this Standard to maintain consistency in principles between the specific requirements in individual IPSAS, and the principles on first-time adoption.</u>	
ED77	BC124. Furthermore, the IPSASB agreed to add <u>current operational value as a measurement alternative to fair value when observable inputs are not available for property, plant, and</u>	

ED		Reason for change
	equipment. Current operational value was added to align the principles in this Standard with <u>[draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u> which, as a result of <u>[draft] IPSAS [X] (ED 77)</u> , permits measuring property, plant, and equipment at current operational value for subsequent measurement.	
	...	
	Implementation Guidance	
	<i>This guidance accompanies, but is not part of, IPSAS 33.</i>	
	...	
	Transitional Exemptions that Provide Three Year Relief for the Recognition and/or Measurement of Assets and/or Liabilities	
	...	
	<i>Recognition of Provisions Included in the Initial Cost of an Item of Property, Plant, and Equipment</i>	
ED78	IG22. IPSAS 17 <u>[Draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u> recognizes that in some cases, the construction or commissioning of an item of property, plant, and equipment will result in an obligation for an entity to dismantle or remove the item of property, plant, and equipment and restore the site on which the asset is located. An entity is required to apply IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> in recognizing and measuring the resulting provision to be included in the initial cost of the item of property, plant, and equipment.	
ED78	IG23. IPSAS 33 provides an exemption for the recognition of this liability. A first-time adopter is allowed to not recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located, until such time as the exemption for IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> expires and/or the relevant asset is recognized and/or measured and relevant information has been presented and/or disclosed in the financial statements in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> (whichever is earlier).	
	...	
	IPSAS 17<u>[Draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u>	
ED78	IG53. If a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting are acceptable in accordance with IPSASs, it accounts for any change in estimated useful life or depreciation pattern prospectively from	

ED		Reason for change
	<p>when it makes that change in estimate (paragraph 22 and 26 of IPSAS 33 and paragraph 7655 of IPSAS 17<u>IPSAS [X]</u> (ED 78)). However, in some cases, a first-time adopter's depreciation methods and rates in accordance with its previous basis of accounting may differ from those that would be acceptable in accordance with IPSASs (for example, if they do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts accumulated depreciation in its opening statement of financial position retrospectively so that it complies with IPSASs.</p>	
ED78	<p>IG54. A first-time adopter may elect to use one of the following amounts as the deemed cost of property, plant, and equipment:</p> <ul style="list-style-type: none"> (a) Fair value<u>Current operational value</u> at the date of adoption of IPSASs (paragraph 67 of IPSAS 33), in which case the first-time adopter provides the disclosures -required by paragraph 148 of IPSAS 33; or (b) A revaluation in accordance with its previous basis of accounting that meets the criteria in paragraph 67 of IPSAS 33. 	
ED78	<p>IG55. Subsequent depreciation is based on that deemed cost and starts from the date for which the first-time adopter determined the deemed cost, or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize certain assets, when the exemptions providing the relief have expired, or the asset has been recognized in accordance with IPSAS 17<u>IPSAS [X]</u> (ED 78) (whichever is earlier).</p>	
ED78	<p>IG56. If a first-time adopter chooses as its accounting policy the revaluation<u>current value</u> model in IPSAS 17<u>IPSAS [X]</u> (ED 78) for some or all classes of property, plant, and equipment, it presents the cumulative revaluation surplus as a separate component of net assets/equity. The revaluation surplus at the date of adoption of IPSASs is based on a comparison of the carrying amount of the asset at that date with its cost or deemed cost. If the deemed cost is the fair value<u>current operational value</u> at the date of adoption of IPSASs or where the first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, when the exemptions providing the relief have expired, or the asset has been recognized and/or measured in accordance with IPSAS 17<u>IPSAS [X]</u> (ED 78) (whichever is earlier), the first-time adopter provides the disclosures required by paragraph 148 of IPSAS 33.</p>	

ED		Reason for change		
ED78	<p>IG57. If revaluations in accordance with the first-time adopter’s previous basis of accounting did not satisfy the criteria in paragraphs 67 or 69 of IPSAS 33, the first-time adopter measures the revalued assets in its opening statement of financial position on one of the following bases:</p> <p>(a) Cost (or deemed cost) less any accumulated depreciation and any accumulated impairment losses under the <u>historical</u> cost model in IPSAS 17<u>[draft] IPSAS [X]</u> (ED 78);</p> <p>(b) Deemed cost, being the fair value<u>current operational value</u> or an alternative when market-based evidence of fair value<u>current operational value</u> is not available, at the date of adoption of IPSASs, or where a first-time adopter takes advantage of the exemption that provides a three year transitional relief period to not recognize and/or measure certain assets, the date at which the asset is recognized and/or measured during the period of transition, or when the transitional exemptions expire (whichever is earlier); or</p> <p>(c) A revalued amount, if the entity adopts the revaluation<u>current value</u> model in IPSAS 17<u>[draft] IPSAS [X]</u> (ED 78) as its accounting policy in accordance with IPSASs for all items of property, plant, and equipment in the same class.</p>			
ED78	<p>IG58. IPSAS 17<u>[Draft] IPSAS [X]</u> (ED 78) requires each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, IPSAS 17<u>[draft] IPSAS [X]</u> (ED 78) does not prescribe the unit of measurement for recognition of an asset, i.e. what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity’s specific circumstances (<u>see</u> paragraphs 188 and 5939).</p>			
	...			
	Summary of Transitional Exemptions and Provisions Included in IPSAS 33 <i>First-time Adoption of Accrual Basis IPSASs</i>			
	...			
ED78	<p>IG92. The diagram below summarizes the transitional exemptions and provisions included in other accrual basis IPSASs.</p>			
ED78	<table><tr><td>IPSAS</td><td>Transitional exemption provided</td></tr></table>	IPSAS	Transitional exemption provided	
IPSAS	Transitional exemption provided			

ED									Reason for change
		N O	YES						
			Deferred cost	3 year transitional relief for recognition	3 year transitional relief for measurement	3 year transitional relief for recognition and/or measurement	3 year transitional relief for disclosure	Elimination of transactions, balances, revenue and expenses	Other
	...	**
	IPSAS 17[draft] IPSAS [X] (ED 78), Property, Plant, and Equipment	✓	✓	✓					
			Property, plant, and equipment not recognized under previous basis of accounting	Property, plant, and equipment recognized under previous basis of accounting					
	Appendix								
	Differentiation between transitional exemptions and provisions that a first-time adopter is required to apply and/or can elect to apply on adoption of accrual basis IPSASs								

ED					Reason for change	
ED78	Transitional exemption provision	or	Transitional exemption s or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected		
			Do not affect fair presentation and -compliance with accrual basis IPSAS	Do not affect fair -presentation and -compliance with accrual basis IPSAS		Affect fair presentation and compliance with accrual basis IPSAS

	IPSAS 17[draft] IPSAS [X] (ED 78), <u>Property, Plant, and Equipment</u> Three year relief for recognition and/or measurement of assets and changing the accounting policy to measure assets					√

Amendments to IPSAS 34, <i>Separate Financial Statements</i>						
ED77/ED79	Paragraph 12 is amended. Paragraphs 23A–23I, 32D, and 32E are added. New text is underlined, and deleted text is struck through.					
	...					
	Preparation of Separate Financial Statements					
	...					
ED79	12. When an entity prepares separate financial statements, it shall account for similar investments in controlled entities, joint ventures and associates either: (a) At cost; (b) In accordance with IPSAS 41; or					

ED		Reason for change
	<p>(c) Using the equity method as described in IPSAS 36.</p> <p><u>The entity shall apply the same accounting for each category of investments. Investments accounted for at cost or using the equity method shall be accounted for in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> when they are classified as held for sale or for distribution (or included in a disposal group that is classified as held for sale or for distribution). The measurement of investments accounted for in accordance with IPSAS 41 is not changed in such circumstances.</u></p>	
	...	
	Disclosure	
	...	
ED77	<p><u>Current Value Measurement</u></p> <p>23A. <u>An entity shall disclose information that helps users of its financial statements assess both of the following:</u></p> <p>(a) <u>For investments that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements</u></p> <p>(b) <u>For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</u></p>	
ED77	<p>23B. <u>To meet the objectives in paragraph 23A, an entity shall consider all the following:</u></p> <p>(a) <u>The level of detail necessary to satisfy the disclosure requirements;</u></p> <p>(b) <u>How much emphasis to place on each of the various requirements;</u></p> <p>(c) <u>How much aggregation or disaggregation to undertake; and</u></p> <p>(d) <u>Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</u></p> <p><u>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 23A, an entity shall disclose additional information necessary to meet those objectives.</u></p>	
ED77	<p>23C. <u>To meet the objectives in paragraph 23A, an entity shall disclose, at a minimum, the following information for each</u></p>	

ED		Reason for change
	<p><u>class of investments (see paragraph 23D for information on determining appropriate classes of investments) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement)) in the statement of financial position after initial recognition:</u></p> <p>(a) <u>For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of investments are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of investments are those that this Standard requires or permits in the statement of financial position in particular circumstances.</u></p> <p>(b) <u>For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u></p> <p>(c) <u>For investments 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 23E). Transfers into each level shall be disclosed and discussed separately from transfers out of each level.</u></p> <p>(d) <u>For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot</u></p>	

ED		Reason for change
	<p><u>ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.</u></p> <p>(e) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p>(i) <u>Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p>(ii) <u>Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p>(iii) <u>Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p>(iv) <u>For recurring 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 23E). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.</u></p> <p>(f) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those investments held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p>(g) <u>... For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, 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 fair value measurements from period to period).</u></p> <p>(h) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p>(i) <u>For all such measurements, a narrative description of the sensitivity of the fair value measurement to</u></p>	

ED		Reason for change
	<p><u>changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the 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 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).</u></p> <p><u>(ii) For financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative 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 surplus or deficit, and total assets or total liabilities, or, when changes in fair value are recognized in net assets/equity, total equity.</u></p>	
ED77	<p>23D. <u>An entity shall determine appropriate classes of investments on the basis of the following:</u></p> <p>(a) <u>The nature, characteristics and risks of the investments; and</u></p> <p>(b) <u>The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the fair value is observable or unobservable.</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of investments for which disclosures about fair value measurements should be provided requires judgement. A class of investments 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 IPSAS specifies the class for an</u></p>	

ED		Reason for change
	investments, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.	
ED77	<p>23E. <u>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 23C(c) and (e)(iv). The policy about the timing of recognizing 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:</u></p> <p>(a) <u>The date of the event or change in circumstances that caused the transfer.</u></p> <p>(b) <u>The beginning of the reporting period.</u></p> <p>(c) <u>The end of the reporting period</u></p>	
ED77	23F <u>If an entity makes an accounting policy decision to use the exception in paragraph (IFRS 13.48), it shall disclose that fact.</u>	
ED77	23G <u>For each class of investments not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 23C(b), (d) and (i). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 23C(d). For such investments, an entity does not need to provide the other disclosures required by this Standard</u>	
ED77	23I <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate</u>	
	...	
	Effective Date	
	...	
ED79	<u>32D. Paragraph 12 was amended by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply this amendment for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED77	32E. <u>Paragraphs 23A–23H were amended, by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in Month YYYY. An entity shall apply these amendments for annual financial</u>	

ED		Reason for change
	<p><u>statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
	<p>Amendments to IPSAS 35, <i>Consolidated Financial Statements</i></p>	
ED79	<p style="text-align: center;">Comparison with IFRS 10</p> <p>IPSAS 35, <i>Consolidated Financial Statements</i> is drawn primarily from IFRS 10, <i>Consolidated Financial Statements</i> (issued in 2011, including amendments up to December 31, 2014). At the time of <u>initially</u> issuing this Standard, the IPSASB has <u>had</u> not considered the applicability to public sector entities of certain IFRSs referred to in IFRS 10. These standards included:</p> <ul style="list-style-type: none"> • IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>; and • IFRS 9, <i>Financial Instruments</i>. <p>The IPSASB has subsequently issued [draft] IPSAS [X] (ED 59), <i>Non-current Assets Held for Sale and Discontinued Operations</i> in [MTH], [YEAR].</p> <p>...</p>	
	...	
	<p>Amendments to IPSAS 36, <i>Investments in Associates and Joint Ventures</i></p>	
ED78/ED79	<p>Paragraphs 21 and 33 are amended. Paragraphs 25A and 25B, the related heading and paragraph 51K, and 51L is added. New text is underlined, and deleted text is struck through.</p>	

ED		Reason for change																																								
ED79	<div><div>IPSAS 36—INVESTMENTS IN ASSOCIATES AND JOINT VENTURES</div><div>CONTENTS</div><table><tr><td></td><td>Paragraph</td></tr><tr><td>Objective.....</td><td>1</td></tr><tr><td>Scope.....</td><td>2–7</td></tr><tr><td>Definitions</td><td>8–9</td></tr><tr><td> Binding Arrangement.....</td><td>9</td></tr><tr><td>Significant Influence.....</td><td>10–15</td></tr><tr><td>Equity Method.....</td><td>16–21</td></tr><tr><td>Application of the Equity Method.....</td><td>22–48</td></tr><tr><td> Exemptions from Applying the Equity Method.....</td><td>23–25</td></tr><tr><td> Classification as Held for Sale.....</td><td>25A–25B</td></tr><tr><td>Discontinuing the Use of the Equity Method</td><td>26–27</td></tr><tr><td>Changes in Ownership Interest.....</td><td>28</td></tr><tr><td>Equity Method Procedures.....</td><td>29–42</td></tr><tr><td>Impairment Losses.....</td><td>43–48</td></tr><tr><td>Separate Financial Statements.....</td><td>49</td></tr><tr><td>Transitional Provisions.....</td><td>50</td></tr><tr><td>Effective Date</td><td>51–52</td></tr><tr><td>Withdrawal and Replacement of IPSAS 7 (December 2006)</td><td>53</td></tr><tr><td>Basis for Conclusions</td><td></td></tr><tr><td>Comparison with IAS 28 (Amended in 2011)</td><td></td></tr></table></div>		Paragraph	Objective.....	1	Scope.....	2–7	Definitions	8–9	Binding Arrangement.....	9	Significant Influence.....	10–15	Equity Method.....	16–21	Application of the Equity Method.....	22–48	Exemptions from Applying the Equity Method.....	23–25	Classification as Held for Sale.....	25A–25B	Discontinuing the Use of the Equity Method	26–27	Changes in Ownership Interest.....	28	Equity Method Procedures.....	29–42	Impairment Losses.....	43–48	Separate Financial Statements.....	49	Transitional Provisions.....	50	Effective Date	51–52	Withdrawal and Replacement of IPSAS 7 (December 2006)	53	Basis for Conclusions		Comparison with IAS 28 (Amended in 2011)		
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ED79	21. An investment in an associate or a joint venture accounted for using the equity method shall be classified as a non-current asset.Unless an investment, or a portion of an investment, in an associate or a joint venture is classified as held for sale in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> , the investment, or any retained interest in the investment not classified as held for sale, shall be classified as a non-current asset.																																									
	...																																									
	Application of the equity method Equity Method																																									
	...																																									
	Classification as held Held for sale Sale																																									
ED79	25A. An entity shall apply [draft] IPSAS [X] (ED 79) to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the																																									

ED		Reason for change
	<p>portion that is classified as held for sale takes place. After the disposal takes place, an entity shall account for any retained interest in the associate or joint venture in accordance with IPSAS 41 unless the retained interest continues to be an associate or a joint venture, in which case the entity uses the equity method.</p>	
ED79	<p>25B. When an investment, or a portion of an investment, in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.</p>	
	...	
	Equity Method Procedures	
	...	
ED78	<p>33. The gain or loss resulting from the contribution of non-monetary assets that do not constitute an operation, as defined in IPSAS 40, to an associate or a joint venture in exchange for an equity interest in that associate or joint venture shall be accounted for in accordance with paragraph 31, except when the contribution lacks commercial substance, as that term is described in IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>. If such a contribution lacks commercial substance, the gain or loss is regarded as unrealized and is not recognized unless paragraph 34 also applies. Such unrealized gains and losses shall be eliminated against the investment accounted for using the equity method and shall not be presented as deferred gains or losses in the entity's consolidated statement of financial position or in the entity's statement of financial position in which investments are accounted for using the equity method.</p>	
	...	
	Effective Date	
	...	
ED79	<p>51K. <u>Paragraph 21 was amended and paragraphs 25A and 25B and the related heading were added by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day]</u></p>	

ED		Reason for change
	<u>[Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u>	
ED78	<u>51L. Paragraph 33 was amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply this amendment for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is encouraged. If an entity applies this amendment for a period beginning before MM DD, YYYY it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	Amendments to IPSAS 38, <i>Disclosure of Interests in Other Entities</i>	
ED77/ED79	Paragraphs AG12 and AG16 are amended. Paragraphs 3A, 57A–57F, 61D, 61E, and A16A are added. New text is underlined and deleted text is struck through.	
	...	
	Scope	
	...	
ED79	<p>3. This Standard shall be applied by an entity that has an interest in any of the following:</p> <ul style="list-style-type: none"> (a) Controlled entities; (b) Joint arrangements (i.e., joint operations or joint ventures); Ⓒ(c) Associates; or (d) Structured entities that are not consolidated. 	
ED79	<u>3A Except as described in paragraph AG16A, the requirements in this Standard apply to an entity's interests listed in paragraph 3 that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</u>	
	...	
	Disclosure	
	...	
	Current Value Measurement	

ED		Reason for change
ED77	<p>57A. [Deleted] An entity shall disclose information that helps users of its financial statements assess both of the following:</p> <p class="list-item-l1">(a) For interests in other entities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements.</p> <p class="list-item-l1">(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.</p>	<p>Paragraph 57A deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>57B. [Deleted] To meet the objectives in paragraph 57A, an entity shall consider all the following:</p> <p class="list-item-l1">(a) The level of detail necessary to satisfy the disclosure requirements;</p> <p class="list-item-l1">(b) How much emphasis to place on each of the various requirements;</p> <p class="list-item-l1">(c) How much aggregation or disaggregation to undertake; and</p> <p class="list-item-l1">(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</p> <p>If the disclosures provided in accordance with this IPSAS and other IPSAS are insufficient to meet the objectives in paragraph 57A, an entity shall disclose additional information necessary to meet those objectives.</p>	<p>Paragraph 57B deleted in March 2022. See agenda item 9.2.5.</p> <p>Consolidates generic measurement disclosures in IPSAS Measurement</p>
ED77	<p>57C. To meet the objectives in paragraph 57A, aAn entity shall disclose, at a minimum, the following information for each class of interests in other entities (see paragraph 57D for information on determining appropriate classes of interests in other entities) measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), <i>Measurement</i>) in the statement of financial position after initial recognition:</p> <p class="list-item-l1">(a) <u>For recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of interests in other entities are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of interests in other entities are those that this Standard requires or permits in</u></p>	

ED		Reason for change
	<p><u>the statement of financial position in particular circumstances.</u></p> <p>(b) <u>For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</u></p> <p>(c) <u>For recurring and non-recurring fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An 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 fair value (e.g. 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 fair value measurement and are reasonably available to the entity.</u></p> <p>(d) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</u></p> <p>(i) <u>Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</u></p> <p>(ii) <u>Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</u></p> <p>(iii) <u>Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</u></p> <p>(e) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total</u></p>	

ED		Reason for change
	<p><u>gains or losses for the period in ©(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those interests in other entities held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</u></p> <p>(f) <u>For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, 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 fair value measurements from period to period).</u></p> <p>(g) <u>For recurring fair value measurements categorized within Level 3 of the fair value hierarchy:</u></p> <p>(i) <u>For all such measurements, a narrative description of the sensitivity of the 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 fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the 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 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 ©.</u></p>	
ED77	<p>57D. <u>An entity shall determine appropriate classes of interests in other entities on the basis of the following:</u></p> <p>(a) <u>The nature, characteristics and risks of the interests in other entities; and</u></p> <p>(b) <u>The level of the fair value hierarchy within which the fair value measurement is categorized</u></p> <p><u>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of interests in other entities for which disclosures about fair value measurements should be provided requires judgement. A class of interests in other entities will often</u></p>	

ED		Reason for change
	<p><u>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 IPSAS specifies the class for an interests in other entities, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</u></p>	
ED77	<p>57E <u>For each class of interests in other entities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity shall disclose the information required by paragraph 57C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, required by paragraph 57C(c). For such interests in other entities, an entity does not need to provide the other disclosures required by this Standard.</u></p>	
ED77	<p>57F <u>An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.</u></p>	
	...	
	Effective Date	
	...	
ED79	<p><u>61D. Paragraphs AG12 and AG16 were amended and paragraphs 3A and AG16A were added by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u></p>	
ED77	<p><u>61E. Paragraphs 57A–57F were added by [draft] IPSAS [X] (ED 77), <i>Measurement</i>, issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
	Application Guidance	

ED		Reason for change
	...	
ED79	<p>AG12. For each joint venture and associate that is material to the reporting entity, an entity shall disclose:</p> <ul style="list-style-type: none"> (a) Dividends or similar distributions received from the joint venture or associate; and (b) Summarized financial information for the joint venture or associate (see paragraphs AG14 and AG15) including, but not necessarily limited to: <ul style="list-style-type: none"> (i) Current assets; ... (vii) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations <u>Post-tax surplus or deficit from discontinued operations</u>; and (viii) ... 	
	...	
ED79	<p>AG16. An entity shall disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures or associates that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' or associates':</p> <ul style="list-style-type: none"> (a) Revenue. ... (c) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations <u>Post-tax surplus or deficit from discontinued operations</u>. (d) ... 	
ED79	<p><u>AG16A. When an entity's interest in a controlled entity, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Classified as Held for Sale and Discontinued Operations</i>, the entity is not required to disclose summarized financial information for that controlled entity, joint venture or associate in accordance with paragraphs AG10-AG16.</u></p>	
	...	
	Amendments to IPSAS 39, <i>Employee Benefits</i>	

ED		Reason for change
ED77/ED78	<p>Paragraphs 8, 11, 53, 123 and 144 are amended and paragraphs 176B and 176C are added. New text is underlined and deleted text is struck through.</p> <p>...</p> <p>Definitions</p> <p>8. The following terms are used in this Standard with the meanings specified</p> <p>...</p> <p>Definitions Relating to the Net Defined Benefit Liability (Asset)</p> <p>...</p>	
ED77	<p>The <u>deficit or surplus</u> is:</p> <p>(a) The present value of the defined benefit obligation less</p> <p>(b) The fair value <u>(as defined in [draft] IPSAS [X] (ED 77), <i>Measurement</i>, of plan assets (if any).</u></p> <p>...</p> <p>Terms defined in other IPSAS are used in this [draft] Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published separately.</p> <p>...</p> <p>Short-Term Employee Benefits</p> <p>...</p> <p>Recognition and Measurement</p> <p><i>All Short-Term Employee Benefits</i></p>	
ED78	<p>11. When an employee has rendered service to an entity during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:</p> <p>(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall</p>	

ED		Reason for change
	<p>recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.</p> <p>(b) As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IPSAS 12, <i>Inventories</i>, and IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>, <i>Property, Plant, and Equipment</i>).</p>	
	...	
	Post-Employment Benefits—Defined Contribution Plans	
	...	
	Recognition and Measurement	
ED78	<p>53. When an employee has rendered service to an entity during a period, the entity shall recognize the contribution payable to a defined contribution plan in exchange for that service:</p> <p>(a) As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and</p> <p>(b) As an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset (see, for example, IPSAS 12 and IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>).</p>	
	...	
	Components of Defined Benefit Cost	
	...	
ED78	<p>123. Other IPSASs require the inclusion of some employee benefit costs within the cost of assets, such as inventories and property, plant, and equipment (see IPSAS 12 and IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>). Any post-employment benefit costs included in the cost of such assets include the appropriate proportion of the components listed in paragraph 122.</p>	
	...	

ED		Reason for change
	Short-Term Employee Benefits	
	...	
	Post-Employment Benefits—Defined Benefit Plans	
	...	
	Disclosure	
	...	
	<i>Explanation of Amounts in the Financial Statements</i>	
	...	
ED77	144. An entity shall disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market <u>(as defined in [draft] IPSAS [X] (ED 77) and those that do not. For example, and considering the level of disclosure discussed in paragraph 138, an entity could distinguish between:</u>	
	...	
	Effective Date	
	...	
ED78	<u>176B. Paragraphs 11, 53 and 123 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or at after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
ED77	<u>176C. Paragraphs 8 and 144 were amended by [draft] IPSAS [X] (ED 77), <i>Measurement</i>, issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD,</u>	

ED		Reason for change
	<u>YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	Amendments to IPSAS 40, Public Sector Combinations	
ED77/ED79	Paragraphs 72 and 124 are amended. Paragraphs 84A, the associated heading, 126G, and 126I is added. New text is underlined, and deleted text is struck through.	
	...	
	The Acquisition Method of Accounting	
ED77	... Recognizing and Measuring the Identifiable Assets Acquired, the Liabilities Assumed and any Non-Controlling Interest in the Acquired Operation	
	<i>Measurement Principle</i>	
ED 77	72. The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values (as defined in [draft] IPSAS [X] (ED 77), <u>Measurement</u>). Appendix A of [draft] IPSAS [X] (ED 77xx) provides guidance on measuring assets and liabilities at fair value.	In the absence of a definition of fair value in IPSAS 40, signposting is considered important. (IFRS 3 includes FV definition)
	...	
	Recognizing and Measuring the Identifiable Assets Acquired, the Liabilities Assumed and any Non-Controlling Interest in the Acquired Operation	
	...	
	<i>Exceptions to the Recognition or Measurement Principles</i>	
	...	
	Exceptions to the Measurement Principle	
	...	
ED79	<u>Assets Held for Sale</u>	
ED79	84A. <u>The acquirer shall measure an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and</i></u>	

ED		Reason for change
	<u>Discontinued Operations at fair value less costs to sell in accordance with paragraphs 22-26 of that Standard.</u>	
	...	
	Disclosures	
	...	
ED79	<p>124. To meet the objective in paragraph 123, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:</p> <p>(a) If the initial accounting for an acquisition is incomplete (see paragraph 103) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally:</p> <p>(i) The reasons why the initial accounting for the acquisition is incomplete;</p> <p>(ii) The assets, liabilities, quantifiable ownership interests (or equivalent) or items of consideration for which the initial accounting is incomplete; and</p> <p>(iii) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph 107.</p> <p>...</p> <p>(d) A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:</p> <p>(i) The gross amount and accumulated impairment losses at the beginning of the reporting period.</p> <p>(ii) Additional goodwill recognized during the reporting period, <u>except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with [draft] IPSAS [X] (ED 79).</u></p> <p>(iii) Adjustments resulting from the subsequent recognition of amounts during the reporting period in accordance with the relevant international or national accounting standard dealing with income taxes.</p> <p>(iv) <u>Goodwill included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and Goodwill-goodwill derecognized during</u></p>	

ED		Reason for change
	<p>the reporting period <u>without having previously been included in a disposal group classified as held for sale.</u></p> <p>(v) ...</p>	
	...	
	Effective Date	
	...	
ED79	<p>126G. <u>Paragraph 124 was amended and paragraph 84A and the associated heading were added by [draft] IPSAS [X] (ED 79) issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [Month] [Day] [Year]. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [Month] [Day] [Year] it shall disclose that fact and apply [draft] IPSAS [X] (ED 79) at the same time.</u></p>	
	...	
ED 77	<p>126I. <u>Paragraph 72 was amended by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u></p>	
	...	
	Basis for Conclusions	
	Accounting for Amalgamations (paragraphs 15-57)	
	<i>Measurement Period</i>	
	...	
ED78	<p>BC82. <u>When this Standard was issued, t</u>The IPSASB <u>had</u> considered whether such a period was required when accounting for an amalgamation. The modified pooling of interests method does not require assets and liabilities to be restated to fair value at the amalgamation date. However, the IPSASB noted that the combining operations may have different accounting policies, which could result in some assets and liabilities being required to be restated to conform to the resulting entity's accounting policies. For example, the resulting entity may adopt an accounting policy of revaluing certain assets such as property, plant, and equipment. If one or more combining operations had previously adopted an accounting policy of measuring such</p>	

ED		Reason for change
	<p>assets at cost, the practical effect of determining the carrying amount of those assets under the revaluation model would be similar to that of determining their fair value. For this reason, the IPSASB agreed that it was appropriate to permit a resulting entity time to obtain the information needed to restate assets and liabilities to conform to its accounting policies. The IPSASB agreed that a period of one year was appropriate. <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that the revaluation model in IPSAS 17 is labeled the current value model in [draft] IPSAS [X] (ED 78) and IPSAS 17 referred to cost and fair value, while [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, refers to historical cost and current operational value.</u></p>	
	...	
	Illustrative Examples	
	...	
	Adjusting the Carrying Amounts of the Identifiable Assets and Liabilities of the Combining Operations to Conform to the Resulting Entity's Accounting Policies in an Amalgamation	
	<i>Illustrating the Consequences of Applying Paragraphs 26-27 and 36 of IPSAS 40</i>	
	...	
ED78	<p>IE167. On 1 October 20X5 RE is formed by an amalgamation of two government departments, COA and COB. COA has previously adopted an accounting policy of measuring property, plant, and equipment using the <u>historical cost model in IPSAS 17[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u>. COB has previously adopted an accounting policy of measuring property, plant, and equipment using the <u>revaluation current value model in IPSAS 17[draft] IPSAS [X] (ED 78)</u>.</p>	
ED78	<p>IE168. RE adopts an accounting policy of measuring property, plant, and equipment using the <u>revaluation current value model</u>. RE seeks an independent valuation for the items of property, plant, and equipment previously controlled by COA.</p>	
	...	
ED78	<p>IE171. RE recognizes the items of property, plant, and equipment previously controlled by COB at their carrying amounts. In accordance with paragraph 6746 of IPSAS 17[draft] IPSAS [X] (ED 78), RE will review the residual values and useful lives of the plant and equipment previously controlled by both COA and COB at least at each annual reporting date. If expectations differ</p>	

ED		Reason for change
	from previous estimates, RE will account for these changes as changes in accounting estimates, in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	
	...	
	Recognizing and Measuring Components of Net Assets/Equity Arising as a Result of an Amalgamation	
	<i>Illustrating the Consequences of Applying Paragraphs 37-39 of IPSAS 40</i>	
	...	
ED78	IE180. COA has previously adopted an accounting policy of measuring property, plant, and equipment using the <u>historical cost</u> model. COB has previously adopted an accounting policy of measuring property, plant, and equipment using the revaluation <u>current value</u> model. RE has adopted an accounting policy of measuring property, plant, and equipment using the revaluation <u>current value</u> model. RE obtains an independent valuation for the items of property, plant, and equipment previously controlled by COA. As a result, it increases its carrying amount for those items of the property, plant, and equipment by CU5,750 and makes the corresponding adjustment to components of net assets/equity.	
	...	
	Measurement Period in an Amalgamation	
	<i>Illustrating the Consequences of Applying Paragraphs 40-44 of IPSAS 40.</i>	
ED78	IE185. Suppose that RE is formed by the amalgamation of COA and COB (two municipalities that were not under common control prior to the amalgamation) on 30 November 20X3. Prior to the amalgamation, COA had an accounting policy of using the revaluation <u>current value</u> model for measuring land and buildings, whereas COB's accounting policy was to measure land and buildings using the <u>historical cost</u> model. RE adopts an accounting policy of measuring land and buildings using the revaluation <u>current value</u> model, and seeks an independent valuation for the land and buildings previously controlled by COB. This valuation was not complete by the time RE authorized for issue its financial statements for the year ended 31 December 20X3. In its 20X3 annual financial statements, RE recognized provisional values for the land and buildings of CU150,000 and CU275,000 respectively. At the amalgamation date, the buildings had a remaining useful life of fifteen years. The land had an indefinite life. Four months after the	

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	amalgamation date, RE received the independent valuation, which estimated the amalgamation-date value of the land as CU160,000 and the amalgamation-date value of the buildings as CU365,000.																															
	Disclosure Requirements Relating to Amalgamations																															
	<i>Illustrating the Consequences of Applying the Disclosure Requirements in Paragraphs 53-57 of IPSAS 40.</i>																															
	...																															
ED78	IE192. The following example illustrates some of the disclosure requirements relating to amalgamations of IPSAS 40; it is not based on an actual transaction. The example assumes that RE is a newly created municipality formed by amalgamating the former municipalities COA and COB. The illustration presents the disclosures in a tabular format that refers to the specific disclosure requirements illustrated. An actual footnote might present many of the disclosures illustrated in a simple narrative format.																															
ED78	<table><tr><th>Paragraph reference</th><th></th><th></th><th></th><th></th><th></th></tr><tr><th></th><th></th><th>Original Amount (CU)</th><th>Adjustment (CU)</th><th>Revised Amount (CU)</th><th></th></tr><tr><td>54(e)(i)</td><td>Restatement of financial assets recorded by COA to eliminate transactions with COB</td><td>822</td><td>(25)</td><td>797</td><td></td></tr><tr><td>54(e)(i)</td><td>Restatement of financial liabilities recorded by COB to eliminate transactions with COA</td><td>(1,093)</td><td>25</td><td>(1,068)</td><td></td></tr><tr><td>54(e)(ii)</td><td>Restatement of property plant, and equipment recorded by COA to measure the items using the <u>revaluation current value</u></td><td>12,116</td><td>17,954</td><td>30,070</td><td></td></tr></table>	Paragraph reference								Original Amount (CU)	Adjustment (CU)	Revised Amount (CU)		54(e)(i)	Restatement of financial assets recorded by COA to eliminate transactions with COB	822	(25)	797		54(e)(i)	Restatement of financial liabilities recorded by COB to eliminate transactions with COA	(1,093)	25	(1,068)		54(e)(ii)	Restatement of property plant, and equipment recorded by COA to measure the items using the <u>revaluation current value</u>	12,116	17,954	30,070		
Paragraph reference																																
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54(e)(ii)	Restatement of property plant, and equipment recorded by COA to measure the items using the <u>revaluation current value</u>	12,116	17,954	30,070																												

ED						Reason for change
		model				
	...					
	Measurement Period in an Acquisition					
	Illustrating the Consequences of Applying Paragraphs 103-108 of IPSAS 40.					
	...					
ED78	IE257. Suppose that AE acquires TE on 30 September 20X7. AE seeks an independent valuation for an item of property, plant, and equipment acquired in the combination, and the valuation was not complete by the time AE authorized for issue its financial statements for the year ended 31 December 20X7. In its 20X7 annual financial statements, AE recognized a provisional fair value <u>current operational value</u> for the asset of CU30,000. At the acquisition date, the item of property, plant, and equipment had a remaining useful life of five years. Five months after the acquisition date, AE received the independent valuation, which estimated the asset's acquisition-date fair value <u>current operational value</u> as CU40,000.					
ED78	IE258. In its financial statements for the year ended 31 December 20X8, AE retrospectively adjusts the 20X7 prior year information as follows: (a) The carrying amount of property, plant, and equipment as of 31 December 20X7 is increased by CU9,500. That adjustment is measured as the fair value <u>current operational value</u> adjustment at the acquisition date of CU10,000 less the additional depreciation that would have been recognized if the asset's fair value <u>current operational value</u> at the acquisition date had been recognized from that date (CU500 for three months' depreciation). (b) The carrying amount of goodwill as of 31 December 20X7 is -decreased by CU10,000. (c) Depreciation expense for 20X7 is increased by CU500.					
ED78	IE259. In accordance with paragraph 124 of IPSAS 40, AE discloses: (a) In its 20X7 financial statements, that the initial accounting for the acquisition has not been completed because the valuation of property, plant, and equipment has not yet been received. (b) In its 20X8 financial statements, the amounts and explanations of the adjustments to the provisional values recognized during the current reporting period. Therefore,					

ED		Reason for change
	<p>AE discloses that the 20X7 comparative information is adjusted retrospectively to increase the fair value<u>current operational value</u> of the item of property, plant, and equipment at the acquisition date by CU9,500, offset by a decrease to goodwill of CU10,000 and an increase in depreciation expense of CU500.</p>	
	Disclosure Requirements Relating to Acquisitions	
	<i>Illustrating the Consequences of Applying the Disclosure Requirements in Paragraphs 119–125 of IPSAS 40.</i>	
ED77	<p>IE278. The following example illustrates some of the disclosure requirements relating to acquisitions; it is not based on an actual transaction. The example assumes that AE is a public sector entity with responsibility for healthcare in its region and that TE is a listed entity. The illustration presents the disclosures in a tabular format that refers to the specific disclosure requirements illustrated. An actual footnote might present many of the disclosures illustrated in a simple narrative format.</p> <p>...</p> <p>Paragraph</p> <p>Reference</p> <p>...</p> <p>124(b) ...owned by TE, in excess of CU7,500 for 20X3, up to a maximum amount of CU2,500 (undiscounted).</p> <p>The potential undiscounted amount of all future payments that AE could be required to make under the contingent consideration arrangement is between CU0 and CU2,500.</p> <p>The fair value of the contingent consideration arrangement of CU1,000 was estimated by applying an income approach. <u>The fair value measurement is based on significant inputs that are not observable in the market, which [draft] IPSAS [X] (ED xx), <i>Measurement</i>, refers to as Level 3 inputs.</u> Key assumptions include a discount rate range of 20–25 percent and assumed probability-adjusted revenues in XE of CU10,000–20,000.</p> <p>As of 31 December 20X2, neither the amount recognized for the contingent consideration arrangement, nor the range of outcomes or the assumptions used to develop the estimates had changed.</p> <p>...</p>	IFRS 13
	...	
	Amendments to IPSAS 41, <i>Financial Instruments</i>	
	<p>Paragraphs 9, 66 AG31, AG38, AG115 and AG117 are amended.</p> <p>Paragraphs AG143A–AG143AB, and 156E are added.</p> <p>Paragraphs 67, 68 and AG144–AG155 are deleted. New text is underlined, and deleted text is struck through.</p>	

ED		Reason for change
ED77	<p>Definitions</p> <p>9. ...</p> <p>Terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published separately. The following terms are defined in either IPSAS 28, or IPSAS 30, <i>Financial Instruments: Disclosures</i>, or [draft] IPSAS [X] (ED 77). Measurement: credit risk², currency risk, fair value, liquidity risk, market risk, equity instrument, financial asset, financial instrument, financial liability and puttable instrument.</p>	
	<p>Measurement</p> <p>...</p> <p>Fair Value Measurement Considerations</p>	
ED77	<p>66. In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, IPSAS 28 or IPSAS 30, an entity shall apply [draft] IPSAS [X] (ED xx77), and paragraphs AG143A–AG143AB AG144–AG155 of Appendix A.</p>	
ED77	<p>67. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic</p>	

² This term (as defined in IPSAS 30) is used in the requirements for presenting the effects of changes in credit risk on liabilities designated as at fair value through surplus or deficit (see paragraph 108).

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	methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data. <u>[Deleted]</u>	
ED77	68. The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. <u>[Deleted]</u>	
	...	
	Effective Date	
ED77	156B. <u>Paragraphs 9, 66 AG31 AG38, AG115 and AG117 were amended, paragraphs AG143A–AG143AB were added, and paragraphs 67, 68 and AG144–AG155 were deleted by [draft] IPSAS [X] (ED 77), Measurement issued in Month YYYY. .</u>	
ED77	An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.	
	Application Guidance	
	<i>This Appendix is an integral part of IPSAS 41.</i>	
	...	
	Subsequent Measurement	
	...	
	Transfers that Qualify for Derecognition	
	...	
ED77	AG31. When measuring the fair values of the part that continues to be recognized and the part that is derecognized for the purposes of applying paragraph 24, an entity applies the fair value measurement requirements <u>[draft] IPSAS [X] (ED 77) in addition to paragraph 25 in paragraphs 66–68 and AG144–AG155.</u>	
	...	
	Initial measurement	
	Initial Measurement of Financial Assets and Financial Liabilities (Paragraphs 57–59)	

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ED77	<p>AG115. The fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received, see also paragraph AG117 and [draft] IPSAS [X] (ED 77)). However, if part of the consideration given or received is for something other than the financial instrument, <u>an entity shall measure</u> the fair value of the financial instrument is estimated, using a valuation technique (see paragraphs AG149–AG154). For example, the fair value of a long-term loan or receivable that carries no interest can be measured as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of revenue unless it qualifies for recognition as some other type of asset.</p>	
	...	
ED77	<p>AG117. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (<u>i.e., the fair value of the consideration given or received, see also IFRS 13</u>). If an entity determines that the fair value at initial recognition differs from the transaction price as mentioned in paragraph 58, the entity shall account for that instrument at that date as follows:</p> <p>(a) At the measurement required by paragraph 57 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a <u>valuation measurement</u> technique that uses only data from observable markets. An entity shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss.</p>	
	...	
	<i>Fair Value Measurement Considerations</i>	
	<u>Application to Liabilities and an Entity's Own Equity Instruments</u>	
	<u>General Principles</u>	
ED 77	<p>AG143A. <u>A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instrument (e.g equity interests issued as consideration in a public sector business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:</u></p> <p><u>(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the</u></p>	IFRS 13.34

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	<p><u>counterparty or otherwise extinguished on the measurement date.</u></p> <p><u>(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.</u></p>	
ED77	AG143B. Even when there is no observable market to provide pricing information about the transfer of a liability or an entity's own equity instrument (e.g., because contractual or other legal restrictions prevent the transfer of such items), there might be an observable market for such items if they are held by other parties as assets (e.g., a government bond or a call option on an entity's shares).	IFRS 13.35
ED77	AG143C. In all cases, an entity shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs to meet the objective of a fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants at the measurement date under current market conditions.	IFRS 13.36
	<u>Liabilities and Equity Instruments Held by Other Parties as Assets</u>	
ED77	AG143D. <u>When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available and the identical item is held by another party as an asset, an entity shall measure the fair value of the liability or equity instrument from the perspective of a market participant that holds the identical item as an asset at the measurement date.</u>	IFRS 13.37
ED77	<p>AG143E. In such cases, an entity shall measure the fair value of the liability or equity instrument as follows:</p> <p>(a) <u>Using the quoted price in an active market for the identical item held by another party as an asset, if that price is available.</u></p> <p>(b) <u>If that price is not available, using other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset.</u></p> <p>(c) <u>If the observable prices in (a) and (b) are not available, using another measurement technique, such as:</u></p> <p>(i) <u>An income approach (e.g., a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset; see paragraphs 45 and C35).</u></p> <p>(ii) <u>A market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets; see paragraphs 42, C31 and C32 B5–B7).</u></p>	IFRS 13.38
ED77	AG143F. An entity shall adjust the quoted price of a liability or an entity's own equity instrument held by another party as an asset only if there are factors specific to the asset that are not applicable to	IFRS 13.39

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	<p><u>the fair value measurement of the liability or equity instrument. An entity shall ensure that the price of the asset does not reflect the effect of a restriction preventing the sale of that asset. Some factors that may indicate that the quoted price of the asset should be adjusted include the following:</u></p> <p>(a) <u>The quoted price for the asset relates to a similar (but not identical) liability or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (e.g., the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.</u></p> <p>(b) <u>The unit of account for the asset is not the same as for the liability or equity instrument. For example, for liabilities, in some cases the price for an asset reflects a combined price for a package comprising both the amounts due from the issuer and a third-party credit enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement.</u></p>	
ED77	<p><u>Liabilities and Equity Instruments not Held by Other Parties as Assets</u></p> <p><u>AG143G. When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available and the identical item is not held by another party as an asset, an entity shall measure the fair value of the liability or equity instrument using a measurement valuation technique from the perspective of a market participant that owes the liability or has issued the claim on equity.</u></p>	IFRS 13.40
ED77	<p><u>AG143H. For example, when applying a present value technique an entity might take into account either of the following:</u></p> <p>(a) <u>The future cash outflows that a market participant would expect to incur in fulfilling the obligation, including the compensation that a market participant would require for taking on the obligation (see paragraphs AG143X– AG143Z).</u></p> <p>(b) <u>The amount that a market participant would receive to enter into or issue an identical liability or equity instrument, using the assumptions that market participants would use when pricing the identical item (e.g., having the same credit characteristics) in the principal (or most advantageous) market for issuing a liability or an equity instrument with the same contractual terms.</u></p>	IFRS 13.41
ED77	<p><u>Non-Performance Risk</u></p> <p><u>AG143I. The fair value of a liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, an entity's own credit risk (as defined in IFRS 7 Financial Instruments: Disclosures). Non-performance risk is assumed to be the same before and after the transfer of the liability.</u></p>	IFRS 13.42
ED77	<p><u>AG143J. When measuring the fair value of a liability, an entity shall take into account the effect of its credit risk (credit standing) and any other factors that might influence the likelihood that the obligation</u></p>	IFRS 13.43

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	<p><u>will or will not be fulfilled. That effect may differ depending on the liability, for example:</u></p> <p><u>(a) Whether the liability is an obligation to deliver cash (a financial liability) or an obligation to deliver goods or services (a non-financial liability).</u></p> <p><u>(b) The terms of credit enhancements related to the liability, if any.</u></p>	
ED77	<p><u>AG143K. The fair value of a liability reflects the effect of non-performance risk on the basis of its unit of account. The issuer of a liability issued with an inseparable third-party credit enhancement that is accounted for separately from the liability shall not include the effect of the credit enhancement (e.g., a third-party guarantee of debt) in the fair value measurement of the liability. If the credit enhancement is accounted for separately from the liability, the issuer would take into account its own credit standing and not that of the third-party guarantor when measuring the fair value of the liability.</u></p>	IFRS 13.44
ED77	<p><u>Restriction Preventing the Transfer of a Liability or an Entity's Own Equity Instrument</u></p> <p><u>AG143L. When measuring the fair value of a liability or an entity's own equity instrument, an entity shall not include a separate input or an adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the item. The effect of a restriction that prevents the transfer of a liability or an entity's own equity instrument is either implicitly or explicitly included in the other inputs to the fair value measurement.</u></p>	IFRS 13.45
ED77	<p><u>AG143M. For example, at the transaction date, both the creditor and the obligor accepted the transaction price for the liability with full knowledge that the obligation includes a restriction that prevents its transfer. As a result of the restriction being included in the transaction price, a separate input or an adjustment to an existing input is not required at the transaction date to reflect the effect of the restriction on transfer. Similarly, a separate input or an adjustment to an existing input is not required at subsequent measurement dates to reflect the effect of the restriction on transfer.</u></p>	IFRS 13.43
ED77	<p><u>Financial Liability with a Demand Feature</u></p> <p><u>AG143N. The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.</u></p>	IFRS 13.47
ED77	<p><u>Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk</u></p> <p><u>AG143O. An entity that holds a group of financial assets and financial liabilities is exposed to market risks (as defined in IFRS 7) and to the credit risk (as defined in IFRS 7) of each of the counterparties. If the entity manages that group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the entity is permitted to apply an exception to this IFRS for measuring fair value. That exception permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a</u></p>	IFRS 13.48

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	<p><u>net long position (i.e., an asset) for a particular risk exposure or paid to transfer a net short position (i.e., a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, an entity shall measure the fair value of the group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.</u></p>	
ED77	<p><u>AG143P. An entity is permitted to use the exception in paragraph AG143O only if the entity does all the following:</u></p> <ul style="list-style-type: none"> <u>(a) Manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy;</u> <u>(b) Provides information on that basis about the group of financial assets and financial liabilities to the entity's key management personnel, as defined in IPSAS 20, <i>Related Party Disclosures</i>; and</u> <u>(c) Is required or has elected to measure those financial assets and financial liabilities at fair value in the statement of financial position at the end of each reporting period.</u> 	IFRS 13.49
ED77	<p><u>AG143Q. The exception in paragraph AG143O does not pertain to financial statement presentation. In some cases the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of financial instruments, for example, if an IFRS does not require or permit financial instruments to be presented on a net basis. In such cases an entity may need to allocate the portfolio-level adjustments (see paragraphs AG143T–AG143W) to the individual assets or liabilities that make up the group of financial assets and financial liabilities managed on the basis of the entity's net risk exposure. An entity shall perform such allocations on a reasonable and consistent basis using a methodology appropriate in the circumstances.</u></p>	IFRS 13.50
ED77	<p><u>AG143R. An entity shall make an accounting policy decision in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to use the exception in paragraph AG143O. An entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs AG143T– AG143V) and credit adjustments (see paragraph AG143W), if applicable, consistently from period to period for a particular portfolio.</u></p>	IFRS 13.51
	<p><u>AG143S. The exception in paragraph AG143O applies only to financial assets, financial liabilities and other contracts within the scope of IPSAS 41, <i>Financial Instruments</i> (or IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i>, if IPSAS 41 has not yet been adopted). The references to financial assets and financial liabilities in paragraphs AG143O–AG143R and AG143T– AG143W should be read as applying to all contracts within the scope of, and accounted for in accordance with, IPSAS 41 (or IPSAS 29, if IPSAS 41 has not yet been adopted), regardless of whether they meet the definitions of</u></p>	IFRS 13.52

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	<u>financial assets or financial liabilities in IPSAS 29, <i>Financial Instruments: Presentation</i>.</u>	
	<u>Exposure to Market Risks</u>	
ED77	<u>AG143T. When using the exception in paragraph AG143O to measure the fair value of a group of financial assets and financial liabilities managed on the basis of the entity's net exposure to a particular market risk (or risks), the entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the entity's net exposure to those market risks (see paragraphs AG143AA and AG143BB).</u>	IFRS 13.53
ED77	<u>AG143U. When using the exception in paragraph AG143O, an entity shall ensure that the market risk (or risks) to which the entity is exposed within that group of financial assets and financial liabilities is substantially the same. For example, an entity would not combine the interest rate risk associated with a financial asset with the commodity price risk associated with a financial liability because doing so would not mitigate the entity's exposure to interest rate risk or commodity price risk. When using the exception in paragraph AG143O, any basis risk resulting from the market risk parameters not being identical shall be taken into account in the fair value measurement of the financial assets and financial liabilities within the group.</u>	IFRS 13.54
ED77	<u>AG143V. Similarly, the duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities shall be substantially the same. For example, an entity that uses a 12-month futures contract against the cash flows associated with 12 months' worth of interest rate risk exposure on a five-year financial instrument within a group made up of only those financial assets and financial liabilities measures the fair value of the exposure to 12-month interest rate risk on a net basis and the remaining interest rate risk exposure (i.e., years 2–5) on a gross basis.</u>	IFRS 13.55
	<u>Exposure to the Credit Risk of a Particular Counterparty</u>	
ED77	<u>AG143W. When using the exception in paragraph AG143O to measure the fair value of a group of financial assets and financial liabilities entered into with a particular counterparty, the entity shall include the effect of the entity's net exposure to the credit risk of that counterparty or the counterparty's net exposure to the credit risk of the entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default (e.g., a master netting agreement with the counterparty or an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party). The fair value measurement shall reflect market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.</u>	IFRS 13.56
	<u>Applying Present Value Techniques to Liabilities and an Entity's Own Equity Instruments not Held by Other Parties as Assets (paragraphs AG143G and AG143H)</u>	
ED77	<u>AG143X. When using a present value technique to measure the fair value of a liability that is not held by another party as an asset (e.g., a decommissioning liability), an entity shall, among other</u>	IFRS 13.B31

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	<p><u>things, estimate the future cash outflows that market participants would expect to incur in fulfilling the obligation. Those future cash outflows shall include market participants' expectations about the costs of fulfilling the obligation and the compensation that a market participant would require for taking on the obligation. Such compensation includes the return that a market participant would require for the following:</u></p> <p><u>(a) Undertaking the activity (i.e., the value of fulfilling the obligation; e.g., by using resources that could be used for other activities); and</u></p> <p><u>(b) Assuming the risk associated with the obligation (i.e., a risk premium that reflects the risk that the actual cash outflows might differ from the expected cash outflows; see paragraph AG143Z).</u></p>	
ED77	<p><u>AG143Y. For example, a non-financial liability does not contain a contractual rate of return and there is no observable market yield for that liability. In some cases the components of the return that market participants would require will be indistinguishable from one another (e.g., when using the price a third party contractor would charge on a fixed fee basis). In other cases an entity needs to estimate those components separately (e.g., when using the price a third party contractor would charge on a cost plus basis because the contractor in that case would not bear the risk of future changes in costs).</u></p>	IFRS 13.B32
ED77	<p><u>AG143Z. An entity can include a risk premium in the fair value measurement of a liability or an entity's own equity instrument that is not held by another party as an asset in one of the following ways:</u></p> <p><u>(a) By adjusting the cash flows (i.e., as an increase in the amount of cash outflows); or</u></p> <p><u>(b) By adjusting the rate used to discount the future cash flows to their present values (i.e., as a reduction in the discount rate).</u></p> <p><u>An entity shall ensure that it does not double-count or omit adjustments for risk. For example, if the estimated cash flows are increased to take into account the compensation for assuming the risk associated with the obligation, the discount rate should not be adjusted to reflect that risk.</u></p>	IFRS 13.B33
	<u>Inputs to Measurement Techniques</u>	
ED77	<p><u>AG143AA. If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (i.e., Level 1, 2 or 3; see paragraphs C59–C89 of [Draft] IPSAS [X] (ED 77), <i>Measurement</i>). The use of bid prices for asset positions and ask prices for liability positions is permitted, but is not required.</u></p>	IFRS 13.70
ED77	<p><u>AG143AB. [Draft] IPSAS [X] (ED 77), <i>Measurement</i>, does not preclude the use of mid-market pricing or other pricing conventions that</u></p>	IFRS 13.71

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	<p><u>are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.</u></p>	
ED77	<p>AG144. Underlying the definition of fair value is a presumption that an entity is a going concern without any intention or need to liquidate, to curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value is not, therefore, the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. However, fair value reflects the credit quality of the instrument. [Deleted]</p>	
ED77	<p>AG145. This Standard uses the terms “bid price” and “asking price” (sometimes referred to as “current offer price”) in the context of quoted market prices, and the term “the bid-ask spread” to include only transaction costs. Other adjustments to arrive at fair value (e.g., for counterparty credit risk) are not included in the term “bid-ask spread.” [Deleted]</p>	
	Active Market: Quoted Price	
ED77	<p>AG146. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm’s length transaction. The objective of determining fair value for a financial instrument that is traded in an active market is to arrive at the price at which a transaction would occur at the end of the reporting period in that instrument (i.e., without modifying or repackaging the instrument) in the most advantageous active market to which the entity has immediate access. However, the entity adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the one being valued. The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure the financial asset or financial liability. [Deleted]</p>	
ED77	<p>AG147. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. When an entity has assets and liabilities with offsetting market risks, it may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. When current bid and asking prices are unavailable, the price of the</p>	

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	<p>most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. If conditions have changed since the time of the transaction (e.g., a change in the risk-free interest rate following the most recent price quote for a government bond), the fair value reflects the change in conditions by reference to current prices or rates for similar financial instruments, as appropriate. Similarly, if the entity can demonstrate that the last transaction price is not fair value (e.g., because it reflected the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted. The fair value of a portfolio of financial instruments is the product of the number of units of the instrument and its quoted market price. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts. <u>[Deleted]</u></p>	
ED77	<p>AG148. If a rate (rather than a price) is quoted in an active market, the entity uses that market quoted rate as an input into a valuation technique to determine fair value. If the market quoted rate does not include credit risk or other factors that market participants would include in valuing the instrument, the entity adjusts for those factors. <u>[Deleted]</u></p>	
	<p>No Active Market: Valuation Technique No Active Market: <u>Measurement</u> Technique</p>	
ED77	<p>AG149. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. <u>[Deleted]</u></p>	
ED77	<p>AG150. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible</p>	

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	<p>on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the instrument and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. <u>[Deleted]</u></p>	
ED77	<p>AG151. Therefore, a valuation technique (a) incorporates all factors that market participants would consider in setting a price and (b) is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data. An entity obtains market data consistently in the same market where the instrument was originated or purchased. <u>[Deleted]</u></p>	
ED77	<p>AG152. The initial acquisition or origination of a financial asset or incurrence of a financial liability is a market transaction that provides a foundation for estimating the fair value of the financial instrument. In particular, if the financial instrument is a debt instrument (such as a loan), its fair value can be determined by reference to the market conditions that existed at its acquisition or origination date and current market conditions or interest rates currently charged by the entity or by others for similar debt instruments (i.e., similar remaining maturity, cash flow pattern, currency, credit risk, collateral and interest basis). Alternatively, provided there is no change in the credit risk of the debtor and applicable credit spreads after the origination of the debt instrument, an estimate of the current market interest rate may be derived by using a benchmark interest rate reflecting a better credit quality than the underlying debt instrument, holding the credit spread constant, and adjusting for the change in the benchmark interest rate from the origination date. If conditions have changed since the most recent market transaction, the corresponding change in the fair value of the financial instrument being valued is determined by reference to current prices or rates for similar financial instruments, adjusted as appropriate, for any differences from the instrument being valued. <u>[Deleted]</u></p>	
ED77	<p>AG153. The same information may not be available at each measurement date. For example, at the date that an entity makes a loan or acquires a debt instrument that is not actively traded, the entity has a transaction price that is also a market price. However, no new transaction information may be available at the next measurement date and, although the entity</p>	

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	<p>can determine the general level of market interest rates, it may not know what level of credit or other risk market participants would consider in pricing the instrument on that date. An entity may not have information from recent transactions to determine the appropriate credit spread over the basic interest rate to use in determining a discount rate for a present value computation. It would be reasonable to assume, in the absence of evidence to the contrary, that no changes have taken place in the spread that existed at the date the loan was made. However, the entity would be expected to make reasonable efforts to determine whether there is evidence that there has been a change in such factors. When evidence of a change exists, the entity would consider the effects of the change in determining the fair value of the financial instrument. <u>[Deleted]</u></p>	
ED77	<p>AG154. In applying discounted cash flow analysis, an entity uses one or more discount rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics, including the credit quality of the instrument, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal and the currency in which payments are to be made. <u>[Deleted]</u></p>	
	<p>Inputs to Valuation Techniques Inputs to <u>Measurement</u> Techniques</p>	
ED77	<p>AG155. An appropriate technique for estimating the fair value of a particular financial instrument would incorporate observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument will be based on one or more of the following factors (and perhaps others):</p> <p>(a) The time value of money (i.e., interest at the basic or risk-free rate). Basic interest rates can usually be derived from observable government bond prices and are often quoted in financial publications. These rates typically vary with the expected dates of the projected cash flows along a yield curve of interest rates for different time horizons. For practical reasons, an entity may use a well-accepted and readily observable general market rate, such as a swap rate, as the benchmark rate. (If the rate used is not the risk-free interest rate, the credit risk adjustment appropriate to the particular financial instrument is determined on the basis of its credit risk in relation to the credit risk in this benchmark rate). In some countries, the central government's bonds may carry a significant credit risk and may not provide a stable benchmark basic interest rate for instruments denominated in that currency. Some entities in</p>	

ED		Reason for change
	<p>these countries may have a better credit standing and a lower borrowing rate than the central government. In such a case, basic interest rates may be more appropriately determined by reference to interest rates for the highest rated corporate bonds issued in the currency of that jurisdiction.</p> <p>(b) Credit risk. The effect on fair value of credit risk (i.e., the premium over the basic interest rate for credit risk) may be derived from observable market prices for traded instruments of different credit quality or from observable interest rates charged by lenders for loans of various credit ratings.</p> <p>(c) Foreign currency exchange prices. Active currency exchange markets exist for most major currencies, and prices are quoted daily in financial publications.</p> <p>(d) Commodity prices. There are observable market prices for many commodities.</p> <p>(e) Equity prices. Prices (and indexes of prices) of traded equity instruments are readily observable in some markets. Present value based techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.</p> <p>(f) Volatility (i.e., magnitude of future changes in price of the financial instrument or other item). Measures of the volatility of actively traded items can normally be reasonably estimated on the basis of historical market data or by using volatilities implied in current market prices.</p> <p>(g) Prepayment risk and surrender risk. Expected prepayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data. (The fair value of a financial liability that can be surrendered by the counterparty cannot be less than the present value of the surrender amount — see paragraph 68).</p> <p>(h) Servicing costs for a financial asset or a financial liability. Costs of servicing can be estimated using comparisons with current fees charged by other market participants. If the costs of servicing a financial asset or financial liability are significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability. It is likely that the fair value at inception of a contractual right to future fees equals the origination costs</p>	

ED		Reason for change
	paid for them, unless future fees and related costs are out of line with market comparables. [Deleted]	
	...	
	Basis for Conclusions	
	...	
	<u>Revision of IPSAS 41 as a result of [draft] IPSAS [X] (ED 77), <i>Measurement</i></u>	
ED77	BC164. The IPSASB issued [draft] IPSAS [X] (ED 77), <i>Measurement</i> , in [Month] [Year]. That Standard provides guidance on measuring assets and liabilities at fair value, which is relevant to the measuring financial instruments. Guidance specific to applying fair value to the measurement of financial instruments was added as application guidance (see paragraphs AG143A–AG143BB).	
	...	
	Amendments to IPSAS 42, <i>Social Benefits</i>	
	Paragraphs 12 and AG17 are amended. Paragraph 35B is added. New text is underlined and deleted text is struck through.	
	...	
ED77	<p>General Approach</p> <p>...</p> <p>Measurement of a Liability for a Social Benefit Scheme</p> <p><i>Initial Measurement of the Liability</i></p> <p>12. An entity shall measure the liability for a social benefit scheme at the best estimate of the costs (i.e., the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability. [Draft] IPSAS [X] (ED 77), <i>Measurement</i>, provides guidance on measuring liabilities at cost of fulfillment.</p>	
	Effective Date	
ED77	35B Paragraphs 12 and AG17 were amended by [draft] IPSAS [X] (ED 77), <i>Measurement</i> issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it	

ED		Reason for change
	<u>shall disclose that fact and apply [draft] IPSAS [X] (ED 77) at the same time.</u>	
	...	
	Application Guidance	
	<i>This Appendix is an integral part of IPSAS 42.</i>	
	...	
	General Approach (see paragraphs 6–21)	
	...	
	<i>Measurement of a Liability for a Social Benefit Scheme</i>	
	...	
ED77	AG17. Because a liability cannot extend beyond the point at which eligibility criteria for the next payment will be next satisfied, liabilities in respect of social benefits will usually be short-term liabilities. Consequently, prior to the financial statements being authorized for issue, an entity may receive information regarding the eligibility of beneficiaries to receive the social benefit. <u>IPSAS 14, Events After the Reporting Date, and Appendix B of [draft] IPSAS [X] (ED 77), Measurement,</u> provides guidance on using this information.	
	...	
	Basis for Conclusions	
	...	
	<u>Revision of IPSAS 42 as a result of [draft] IPSAS [X] (ED 77), Measurement</u>	
ED77	BC164. <u>The IPSASB issued [draft] IPSAS [X] (ED 77), Measurement, in [Month] [Year]. That Standard provides guidance on measuring liabilities at the cost of fulfillment, which is relevant to the measuring the liability for social benefits under the general approach. That guidance includes a requirement that a risk adjustment is considered in estimating the cost of fulfillment. Generally, this is not expected to affect the measurement of the liability under the general approach given the short-term nature of most social benefit liabilities.</u>	
ED77	BC165. <u>While the guidance on measuring liabilities at cost of fulfillment is not expected to change the measurement of liabilities for social benefits under the general approach in the majority of cases, the IPSASB agreed to amend Illustrative Examples 9 and 10 to avoid references to using information</u>	

ED		Reason for change
	<p><u>about payments made after the reporting date, which might conflict with the guidance in [draft] IPSAS [X] (ED 77). The IPSASB noted that the provisions in other IPSAS regarding materiality would allow entities to use information about payments made after the reporting date where the effect of doing so was not materially different from using estimates made at the reporting date.</u></p>	
	...	
	Illustrative Examples	
	<i>These examples accompany, but are not part of, IPSAS 42.</i>	
	...	
	General Approach: Recognition and Measurement	
	...	
	<i>Example 9</i>	
	...	
ED77	<p>IE37. In this example, it is assumed that <u>there is no difference between the estimates Government I used in recognizing the liability and the actual amount of pensions paid</u> has complete information at the date it pays retirement pensions. Consequently, the difference between the amount paid in January 20X8 (CU3,024,997) and the liability recognized as at December 31, 20X7 (CU2,990,656) represents the pro-rated retirement pensions paid to those who reached retirement age during January 20X8 (CU34,341).</p>	Examples 9 and 10 redrafted to rely totally on estimates, not use information about payments made after the reporting date, to avoid a potential conflict with paragraph B49 of ED 77.
ED77	<p>IE38. On <u>December 31, 20X8</u> January 31, 20X9, Government I recognizes a liability for <u>pays retirement pensions payable to those who satisfied the eligibility criteria at that date.</u> Government I estimates that, on January 31, 20X9, it will pay retirement pensions totaling CU3,053,576. There are three elements to this estimate as follows payment:</p> <p>Full pensions paid to those pensioners eligible at December 31, eligible at January 31, 20X9</p> <p>Pro-rated pensions paid to those pensioners eligible at December 31, during January 20X9</p> <p>Pro-rated pensions paid to those who reached retirement age during January 20X9</p> <p>Total</p>	
ED77	<p>IE39. As at December 31, 20X8, Government I recognizes a liability for retirement pensions payable to those who satisfied the eligibility criteria at that date. Because its 20X8 financial statements are issued after the January 20X9 retirement</p>	

ED		Reason for change
	pensions have been paid, Government I uses the information available at that time to prepare its financial statements. [Deleted]	
ED77	IE40. Consequently, Government I recognizes a liability of CU3,016,020. This includes the full pensions <u>that will be paid</u> to those pensioners eligible at December 31, 20X8 and <u>who are estimated to remain</u> eligible at January 31, 20X9 (CU2,979,600) and the pro-rated pensions <u>that will be paid</u> to those pensioners eligible at December 31 <u>who are estimated to die</u> died during January 20X9 (CU36,420). The liability does not include the pro-rated pensions <u>that will be paid</u> to those who <u>are estimated to</u> reached retirement age during January 20X9 because they had not satisfied the eligibility criteria as at December 31, 20X8.	
ED77	IE41. During 20X8, the total amount recognized as an expense is CU36,485,544. The breakdown of this amount is as follows: Pro-rated pensions paid to those who reached retirement age during January 20X9 (January 20X8) Pensions paid between February 20X8 and December 20X8 and recognized in the January 1, 20X8 to December 31, 20X8 Full pensions paid to those pensioners eligible at December 31, 20X8 and <u>estimated to remain</u> eligible at January 31, 20X9 (recognized in December 20X8) Pro-rated pensions paid to those pensioners eligible at December 31, 20X8 who <u>died</u> during January 20X9 (recognized in December 20X8) Total	
	Example 10	
	...	
ED77	IE46. In this example, it is assumed that there is no difference <u>between the estimates</u> State Government J <u>used in recognizing the liability and the actual amount of</u> has complete information at the date it pays unemployment benefits <u>paid</u> . Consequently, the difference between the amount paid on July 15, 20X1 (CU129,745) and the liability recognized as at June 30 20X1 (CU125,067) represents the pro-rated unemployment benefit paid to those who became eligible for unemployment benefits between July 1, 20X1 and July 15, 20X1 (CU4,678).	
ED77	IE47. On July 15, 20X2 <u>June 30, 20X2</u> , State Government J <u>pays</u> <u>recognizes a liability for</u> unemployment benefits <u>payable to</u> those who satisfied the eligibility criteria at that date. State Government J estimates that, on July 15, 20X2, it will <u>pay</u> unemployment benefits totaling CU132,952. There are four elements to this <u>payment estimate</u> as follows: Unemployment benefits <u>to be</u> paid to unemployed persons eligible at June 15, 20X2 and <u>estimated to remain</u> eligible at July 15, 20X2 Pro-rated unemployment benefits <u>to be</u> paid to those unemployed persons eligible at June 15, 20X2 had was estimated to come to an end by July 15, 20X2 Pro-rated unemployment benefits <u>to be</u> paid to those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2 Pro-rated unemployment benefits <u>to be</u> paid to those unemployed persons who <u>were estimated to</u> became eligible between July 1, 20X2 and July 15, 20X2 Total	

ED		Reason for change
ED77	IE48. As at June 30, 20X2, State Government J recognizes a liability for unemployment benefits payable to those who satisfied the eligibility criteria at that date. Because its July 20X1–June 20X2 financial statements are issued after the July 20X2 unemployment benefits have been paid, State Government J uses the information available at that time to prepare its financial statements. [Deleted]	
ED77	IE49. Consequently, State Government J recognizes a liability of CU128,140. This includes: (a) The unemployment benefits that will be paid to those unemployed persons eligible at June 15, 20X2 and <u>who are estimated to</u> remaining eligible at July 15, 20X2 (CU113,120); (b) The pro-rated unemployment benefits that will be paid to those unemployed persons eligible at June 15, 20X2 whose eligibility <u>is estimated to</u> had come to an end by July 15, 20X2 (CU9,975); and (c) The pro-rated unemployment benefits that will be paid to those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2 (CU5,045).	
ED77	IE50. The liability does not include the pro-rated unemployment benefits that will be paid to those who <u>are estimated to become</u> became eligible between July 1, 20X2 and July 15, 20X2 because they had not satisfied the eligibility criteria as at June 30, 20X2.	
ED77	IE51. During the financial year July 1, 20X1–June 30, 20X2, the total amount recognized as an expense is CU1,714,949. The breakdown of this amount is as follows: Pro-rated unemployment benefits paid in July 20X1 to those who became eligible 20X1 and July 15, 20X1 (recognized in July 20X1) Unemployment benefits paid in between August 20X1 and June 20X2 and recognized in financial year July 1, 20X1–June 30, 20X2 Unemployment benefits <u>estimated to be</u> paid in July 20X2 to unemployed persons June 15, 20X2, both those <u>estimated to</u> remaining eligible and those whose eligibility <u>estimated to</u> come to an end by July 15, 20X2; and those unemployed persons who became eligible between June 15, 20X2 and June 30, 20X2 (recognized in June 20X2)	
	Amendments to ED 70, Revenue with Performance Obligations	
	Paragraphs 3, 94 and 102 are amended. Paragraph 131B is added. New text is underlined, and deleted text is struck through.	
	...	
	Scope	
ED78	3. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for revenue arising from binding arrangements with a purchaser that include performance obligations as defined in this [draft] Standard to transfer promised goods or services to the purchaser or third-party beneficiary. This [draft] Standard does not apply to:	

ED		Reason for change
	<ul style="list-style-type: none"> (a) Revenue arising from other arrangements (whether binding arrangements or not) that do not include performance obligations to transfer goods or services to the purchaser or third-party beneficiary (the entity shall apply the requirements of [draft] IPSAS [X] (ED 71), <i>Revenue without Performance Obligations</i> in accounting for such binding arrangements); (b) Lease contracts within the scope of IPSAS 13, <i>Leases</i>; (c) Insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts; (d) Financial instruments and other contractual rights or obligations within the scope of, IPSAS 41, <i>Financial Instruments</i>; (e) Rights or obligations arising from binding arrangements within the scope of, IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, IPSAS 34, <i>Separate Financial Statements</i>, IPSAS 35, <i>Consolidated Financial Statements</i>, IPSAS 36, <i>Investments in Associates and Joint Ventures</i>, IPSAS 37, <i>Joint Arrangements</i>, IPSAS 39, <i>Employee Benefits</i> and IPSAS 40, <i>Public Sector Combinations</i>; (f) Non-monetary exchanges between entities in the same line of business to facilitate sales to purchasers or potential purchasers. For example, this [draft] Standard would not apply to a binding arrangement between two public sector entities that agree to an exchange of electricity to fulfill demand from their purchasers in different specified locations on a timely basis; (g) Gains from the sale of non-financial assets that are not an output of an entity's activities and within the scope of IPSAS 16, <i>Investment Property</i>, IPSAS 17[draft] <u>IPSAS [X] (ED 78)</u>, <i>Property, Plant, and Equipment</i> or IPSAS 31, <i>Intangible Assets</i>; (h) Changes in the value of other current assets; (i) Initial recognition or changes in the fair value of biological assets related to agricultural activity (see IPSAS 27, <i>Agriculture</i>); and (j) The extraction of mineral resources. 	
	...	
	Costs to Fulfill a Binding Arrangement	

ED		Reason for change
ED78	94. If the costs incurred in fulfilling a binding arrangement with a purchaser are not within the scope of another Standard (for example, IPSAS 12, <i>Inventories</i> , IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> or IPSAS 31, <i>Intangible Assets</i>), an entity shall recognize an asset from the costs incurred to fulfill a binding arrangement only if those costs meet all of the following criteria:	
	...	
	Amortization and Impairment	
	...	
ED78	102. Before an entity recognizes an impairment loss for an asset recognized in accordance with paragraph 90 or 94, the entity shall recognize any impairment loss for assets related to the binding arrangement that are recognized in accordance with another Standard (for example, IPSAS 12, IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and IPSAS 31). After applying the impairment test in paragraph X an entity shall include the resulting carrying amount of the asset recognized in accordance with paragraph X or X in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying IPSAS 26, <i>Impairment of Cash-Generating Assets</i> to that cash-generating unit.	
	...	
	Effective Date	
	...	
ED78	131B. Paragraphs 3, 94 and 102 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.	
	...	
	Illustrative Examples	
	...	
	Binding Arrangement Costs	
	...	
	<i>Example 39—Costs that Give Rise to an Asset</i>	
	Costs to Fulfill a Binding Arrangement	
	...	
ED78	IE218 . The initial setup costs relate primarily to activities to fulfill the binding arrangement but do not transfer goods or services to the local government. The Agency accounts for the initial setup costs as follows: (a) Hardware costs—accounted for in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> , <i>Property, Plant, and Equipment</i> .	

ED		Reason for change
	<p>(b) Software costs—accounted for in accordance with IPSAS 31, <i>Intangible Assets</i>.</p> <p>(c) Costs of the design, migration and testing of the data center—assessed in accordance with paragraph X of [draft] IPSAS [X] (ED 70) to determine whether an asset can be recognized for the costs to fulfill the binding arrangement. Any resulting asset would be amortized on a systematic basis over the seven-year period (i.e., the five-year term of the binding arrangement and two anticipated one-year renewal periods) that the Agency expects to provide services related to the data center.</p>	
	...	
	Amendments to ED 71, <i>Revenue without Performance Obligations</i>	
	Paragraphs 3 and 13 are amended. Paragraph 155B is added. New text is underlined, and deleted text is struck through.	
	...	
	Scope	
	...	
ED78	<p>3. A transfer recipient that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for revenue from transactions without performance obligations. This [draft] Standard does not apply to:</p> <p>(a) Revenue from transactions with performance obligations (see [draft] IPSAS [X] (ED 70);</p> <p>(b) Contributions to social benefit schemes that are accounted for in accordance with paragraphs 26-31 of IPSAS 42, <i>Social Benefits</i> (the insurance approach);</p> <p>(c) A public sector combination that is a non-exchange transaction;</p> <p>(d) The accounting for contributions from owners;</p> <p>(e) Lease contracts within the scope of IPSAS 13, <i>Leases</i>;</p> <p>(f) Insurance contracts within the scope of the relevant international or national accounting standard dealing with insurance contracts;</p> <p>(g) Financial instruments and other contractual rights or obligations within the scope of, IPSAS 41, <i>Financial Instruments</i>;</p> <p>(h) Rights or obligations arising from binding arrangements within the scope of, IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, IPSAS 34, <i>Separate Financial Statements</i>, IPSAS 35, <i>Consolidated Financial Statements</i>, IPSAS 36, <i>Investments in Associates and Joint Ventures</i>, IPSAS 37, <i>Joint Arrangements</i>, IPSAS 39, <i>Employee Benefits</i> and IPSAS 40, <i>Public Sector Combinations</i>;</p> <p>(i) Gains from the sale of non-financial assets that are not an output of a transfer recipient's activities and within the</p>	

ED		Reason for change
	scope of IPSAS 16, Investment Property, IPSAS 17[draft] <u>IPSAS [X]</u> (ED 78), Property, Plant, and Equipment or IPSAS 31, Intangible Assets; (j) Changes in the value of current and non-current assets arising from subsequent measurement; (k) Initial recognition or changes in the fair value of biological assets related to agricultural activity (see IPSAS 27, Agriculture); and (l) The extraction of mineral resources.	
	...	
	Revenue	
	...	
ED78	13. Where a transfer recipient incurs some cost in relation to revenue arising from a transaction without performance obligations, the revenue is the gross inflow of future economic benefits or service potential, and any outflow of resources is recognized as a cost of the transaction. For example, if a transfer recipient is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity (transfer provider), those costs are recognized separately from revenue arising from the transfer of the item of, plant. Delivery and installation costs are included in the amount recognized as an asset, in accordance with IPSAS 17[draft] <u>IPSAS [X]</u> (ED 78).	
	...	
	Effective Date	
	...	
ED78	155B. <u>Paragraphs 3 and 13 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Basis for Conclusions	
	...	
	Biological Assets and Agricultural Assets Acquired through a Non-Exchange Transaction	
	...	
ED78	BC9. <u>When this Standard was issued, in analyzing approach 3, the IPSASB had considered the requirements of IPSAS 23 in relation to the measurement of other types of assets. IPSAS 23.13 stated that: "...If a reporting entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognized separately from revenue arising from the transfer of the item of plant. Delivery and installation costs are included in the amount recognized as an asset, in accordance with IPSAS 17." This implied that for other assets, an entity considered the measurement requirements of other IPSASs as well as IPSAS 23 in initially measuring assets acquired through a non-</u>	

ED		Reason for change
	exchange transaction. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the IPSASB noted that these principles are still applicable.</u>	
	...	
	Measurement of Assets	
ED78	<p>BC27. <u>When this Standard was issued</u> This [draft] Standard requireds that assets acquired through transactions without performance obligations be initially measured at their transaction price as at the date of acquisition. The IPSASB <u>was</u> is of the view that this <u>was</u>is appropriate to reflect the substance of the transaction and its consequences for the recipient. In a transaction with performance obligations, the cost of acquisition <u>was</u>is a measure of the fair value of the asset acquired. However, in a transaction without performance obligations the consideration provided for the acquisition of an asset may not <u>have been</u> equal to the fair value of the asset acquired. Transaction price most faithfully representeds the actual value the public sector transfer recipient accrueds as a result of the transaction. Initial measurement of non-monetary assets acquired through transactions without performance obligations at their transaction price, which <u>was</u> is fair value for non-monetary assets, is <u>was</u> consistent with the approach taken in IPSAS 16, <i>Investment Property</i>, and IPSAS 17, <i>Property, Plant, and Equipment</i>, for assets acquired at no cost or for a nominal cost. The IPSASB has <u>had</u> made consequential amendments to IPSAS 12, <i>Inventories</i>, and IPSAS 16 and IPSAS 17 to fully align those IPSAS with the requirements of this [draft] Standard. <u>In developing [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment, the IPSASB noted that these principles are still applicable. In reaching this conclusion, the IPSASB noted that under IPSAS 17, an item of property, plant, and equipment may be carried at a revalued amount being its fair value. [Draft] IPSAS [X] (ED 78), retains this principle while adding the ability to measure property, plant, and equipment at current operational value when the item is carried at its revalued amount.</u></p>	
	...	
	Illustrative Examples	
	...	
	Example 12—Transfer to a Public Sector University – unenforceable transaction (paragraph 53.)	
ED78	<p>IE31 The university recognizes the land as an asset in the statement of financial position of the reporting period in which it obtains control of that land. The land should be recognized at its fair value in accordance with IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u>. The obligation is not enforceable therefore does not meet the definition of a liability or satisfy the criteria for recognition as a liability. Therefore, the university recognizes revenue in respect of the land in the statement of financial performance of the reporting period in which the land is recognized as an asset.</p>	
	...	
	Amendments to ED 72, Transfer Expenses	
	No amendments to ED 72. Amendments to non-authoritative guidance that accompanies the Standard are shown. New text is underlined, and deleted text is struck through.	

ED		Reason for change
	...	
	Illustrative Examples	
	<i>Example 1 Transaction Where the Other Party Provides Goods and Services</i>	
	...	
	Case A—Vehicle is Provided to the International Organization	
	...	
ED78	IE5. The binding arrangement does not give rise to a transfer expense, as the international organization receives the vehicle and the maintenance services in return for providing the consideration of CU30,000. Consequently, the binding arrangement is outside the scope of [draft] IPSAS [X] (ED 72). The international organization applies IPSAS 17 <u>[draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u> , in accounting for the purchase of the vehicle.	
	...	
	<i>Example 3 Transaction with Components Within the Scope of Other IPSAS</i>	
	...	
ED78	IE14. The transfer of the vehicle to the not-for-profit organization is a transfer expense, as the local government transfers part of the consideration to the dealer without directly receiving any goods or services in return. The transfer of the vehicle to the local government is not a transfer expense, as the local government receives the vehicle in return for part of the consideration. The local government applies IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> in accounting for the purchase of the vehicle it receives.	
ED78	IE15. Paragraph 7(a) of [draft] IPSAS [X] (ED 72) requires an entity to first apply the separation and/or measurement requirements in other Standards if those other Standards specify how to separate and/or initially measure one or more parts of the binding arrangement. IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> does not specify how to separate and/or initially measure one or more parts of the binding arrangement. Consequently, the local government applies the requirements in [draft] IPSAS [X] (ED 72) to separate and/or initially measure the two parts of the binding arrangement, in accordance with paragraph 7(b) of [draft] IPSAS [X] (ED 72).	
	...	
	Amendments to ED 74, IPSAS 5, Borrowing Costs	
	No amendments to ED 74. Amendments to non-authoritative guidance that accompanies the Standard are shown. New text is underlined, and deleted text is struck through.	
	...	
	Illustrative Examples	
	...	
	Example 1 Transaction Where the Other Party Provides Goods and Services	
	...	
	Case A—Vehicle is Provided to the International Organization	

ED		Reason for change
	...	
	IE5. The binding arrangement does not give rise to a transfer expense, as the international organization receives the vehicle and the maintenance services in return for providing the consideration of CU30,000. Consequently, the binding arrangement is outside the scope of [draft] IPSAS [X] (ED 72). The international organization applies IPSAS 17 [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i> , in accounting for the purchase of the vehicle.	
	...	
	Example 3 Transaction with Components Within the Scope of Other IPSAS	
	...	
	IE14. The transfer of the vehicle to the not-for-profit organization is a transfer expense, as the local government transfers part of the consideration to the dealer without directly receiving any goods or services in return. The transfer of the vehicle to the local government is not a transfer expense, as the local government receives the vehicle in return for part of the consideration. The local government applies IPSAS 17 [draft] IPSAS [X] (ED 78) in accounting for the purchase of the vehicle it receives.	
	IE15. Paragraph 7(a) of [draft] IPSAS [X] (ED 72) requires an entity to first apply the separation and/or measurement requirements in other Standards if those other Standards specify how to separate and/or initially measure one or more parts of the binding arrangement. IPSAS 17 [draft] IPSAS [X] (ED 78) does not specify how to separate and/or initially measure one or more parts of the binding arrangement. Consequently, the local government applies the requirements in [draft] IPSAS [X] (ED 72) to separate and/or initially measure the two parts of the binding arrangement, in accordance with paragraph 7(b) of [draft] IPSAS [X] (ED 72).	
	...	
	Amendments to ED 75, <i>Leases</i>	
	Paragraphs 5, 32, 36, 58, 81, 91, and AG45 are amended. Paragraph 100B is added. New text is underlined, and deleted text is struck through.	
	...	
	Definitions	
ED78	5. The following terms are used in this [draft] Standard with the meanings specified:	
	...	
ED78	Terms defined in other IPSASs are used in this [draft] Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published separately. The defined term useful life is used in this [draft] Standard with the meaning as in IPSAS 17 [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i> .	
	...	
	<i>Subsequent Measurement</i>	
	...	
	<u>Historical</u> <u>Cost</u> model	

ED		Reason for change
	...	
ED78	32. A lessee shall apply the depreciation requirements in IPSAS 47 <u>[draft] IPSAS [X] (ED 78)</u> in depreciating the right-of-use asset, subject to the requirements in paragraph 33.	
	...	
	Other measurement models	
	...	
ED78	36. If right-of-use assets relate to a class of property, plant, and equipment to which the lessee applies the revaluation <u>current value</u> model in IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> , a lessee may elect to apply that revaluation <u>current value</u> model to all of the right-of-use assets that relate to that class of property, plant, and equipment.	
	...	
	Disclosure	
	...	
ED78	58. If a lessee measures right-of-use assets at revalued amounts applying IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> , the lessee shall disclose the information required by paragraph 92 of IPSAS 47 <u>[draft] IPSAS [X] (ED 78)</u> for those right-of-use assets.	
	...	
	Operating leases	
	...	
	<i>Recognition and measurement</i>	
	...	
ED78	81. The depreciation policy for depreciable underlying assets subject to operating leases shall be consistent with the lessor's normal depreciation policy for similar assets. A lessor shall calculate depreciation in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> and IPSAS 31.	
	...	
	<i>Operating leases</i>	
ED78	91. For items of property, plant, and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of IPSAS 47 <u>[draft] IPSAS [X] (ED 78)</u> . In applying the disclosure requirements in IPSAS 47 <u>[draft] IPSAS [X] (ED 78)</u> , a lessor shall disaggregate each class of property, plant, and equipment into assets subject to operating leases and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by IPSAS 17 <u>[draft] IPSAS [X] (ED 78)</u> for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor.	
	...	
	Effective Date	
	...	
ED78	<u>100B. Paragraphs 5, 32, 36, 58, 81, 91, and AG45 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD.</u>	

ED		Reason for change
	<u>YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Application Guidance	
	...	
	<i>Costs of the lessee relating to the construction or design of the underlying asset</i>	
	...	
ED78	AG45. If a lessee incurs costs relating to the construction or design of an underlying asset, the lessee shall account for those costs applying other applicable Standards, such as IPSAS 17 [draft] IPSAS [X] (ED 78) . Costs relating to the construction or design of an underlying asset do not include payments made by the lessee for the right to use the underlying asset. Payments for the right to use an underlying asset are payments for a lease, regardless of the timing of those payments.	
	...	
	Basis for Conclusions	
	...	
	Background	
	<i>Development of ED 64, Leases</i>	
	...	
	Lessor accounting	
ED78	<p>BC9. <u>When this Standard was issued</u>, IFRS 16 retained the 'risks and rewards incidental to ownership' model applied in IAS 17 (and IPSAS 13). The IPSASB had considered whether there were any public sector issues that warranted a departure from the lessor accounting requirements in IFRS 16. In developing ED 64, the IPSASB had come to the view that the 'risks and rewards incidental to ownership' model:</p> <p>(a) Is Was not based on control and would not be consistent with the IPSASB's Conceptual Framework.</p> <p>(b) Does Did not distinguish between the right-of-use asset and the underlying asset. The IPSASB considered these to be different economic phenomena which should both be accounted for.</p> <p>(c) If applied for lessor accounting, while a control-based model was applied for lessee accounting, would <u>have</u>:</p> <p>(i) <u>Been</u> inconsistent with IPSAS 17, <i>Property, Plant, and Equipment</i> and IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, which are based on control; and</p> <p>(ii) <u>Raised</u> consolidation issues and <u>impaired</u> understandability and the decision usefulness of information where the lessor and the lessee are part</p>	

ED		Reason for change
	<p>of the same economic entity. For example, if the lessor classifies the lease as a finance lease, the underlying asset is <u>was</u> not recognized by either party, and separate records will need to be maintained to report the underlying asset in the consolidated financial statements. In this context, the IPSASB had formed the view that a lessor would not be expected to derecognize a leased asset because the lessor has only transferred the right to use an underlying asset, not the underlying asset itself.</p> <p><u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable.</u></p>	
	<p>...</p> <p><i>Identifying a lease</i></p>	
ED78	<p>...</p> <p>BC47. <u>When this Standard was issued, the IPSASB had identified the following arguments in favor of adding the term “service potential”:</u></p> <ul style="list-style-type: none"> (a) The IASB’s Conceptual Framework <u>referreds</u> to assets only in terms of economic benefits, while the IPSASB’s Conceptual Framework <u>referreds</u> to assets in terms of both economic benefits and service potential; (b) The IPSASB’s Conceptual Framework <u>outlineds</u> that: <ul style="list-style-type: none"> (i) Economic benefits are related to the ability of an asset to generate net cash inflows, while service potential is related to the capacity of an asset to provide services. (ii) Service potential should be referenced when identifying the capacity of an asset to provide services. (c) In paragraph BC5.8 of the Conceptual Framework, the IPSASB <u>had</u> concluded that the explanation of a resource should include both the terms “service potential” and “economic benefits” because it <u>acknowledgeds</u> that the primary objective of most public sector entities is to deliver services, but also that public sector entities may carry out activities with the sole objective of generating net cash inflows. (d) An analogy can <u>could</u> be made with the current practice of adding the term “service potential” after “economic benefits” in the recognition requirements of several 	

ED		Reason for change
	<p>IPSAS³ that are <u>were</u> aligned with the respective IFRS; and</p> <p>(e) Users and preparers may have <u>had</u> a perception that leased assets where the lessee uses them to provide services are not covered in in [draft] IPSAS [X] (ED 75).</p>	
ED78	<p>BC48. On the other hand, the IPSASB <u>had</u> also identified the following arguments in favor of not adding the term “service potential”:</p> <p>(a) The IPSASB <u>had</u> decided that in [draft] IPSAS [X] (ED 75) should be aligned with IFRS 16 (see [draft] IPSAS [X] (ED 75).BC36), including its scope, leases definition based on contractual cash-flows, criteria to identify a lease, and recognition and measurement requirements, as additional wording might <u>have been</u> seen to indicate a wider scope of lease transactions in the public sector, when that is not the case.</p> <p>(b) Identifying a transaction based on the transfer of types of rights is <u>was</u> economically different from explaining the usage of assets because:</p> <p>(i) The lease contract sets out the rights and obligations to the parties in the agreement where the lessor has a right to received consideration in exchange of transferring to the lessee the right to obtain rights to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. How the identified asset will be used by the lessee once the transaction is identified as a lease and where the service potential is regarded as the form of the benefits expected from the identified asset will always be decisions after the transaction is identified as a lease based on the criteria in in [draft] IPSAS [X] (ED 75).AG10.</p> <p>(ii) Other types of rights might be transferred in a lease, but only the two specified rights in [draft] IPSAS [X] (ED 75) are enough to identify a lease;</p> <p>(iii) The analogy in paragraph BC47(b) above <u>had</u> related to the recognition requirements of IPSAS 16, IPSAS 17 and IPSAS 31 does <u>did</u> not hold because</p>	

³ See IPSAS 16.20(a), IPSAS 17-14(a), and IPSAS 31. 28(a).

ED		Reason for change
	<p>they are not related to identification of contractual rights being transferred; and</p> <p>(c) Identifying a lease based on the types of rights being transferred is was related to the inclusion or not within the scope of [draft] IPSAS [X] (ED 75), and classifying a lease based on risks and rewards is related to types of leases that are already within the scope of [draft] IPSAS [X] (ED 75). In other words, once the transaction was included within the scope of [draft] IPSAS [X] (ED 75), the lessee can could choose the type of rewards it wants to obtain out of the identified asset.</p> <p><u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable.</u></p>	
	...	
	Amendments to ED 79, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	
	Paragraphs 16 and 32 are amended. Paragraph 54A is added. New text is underlined, and deleted text is struck through.	
	...	
	Classification of Non-current Assets (or disposal groups) as Held for Sale or as Held for Distribution to Owners	
	...	
ED78	16. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with IPSAS 17 <u>[draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>.</u>	
	...	
	Recognition of Impairment Losses and Reversals	
	...	
ED78	32. A gain or loss not previously recognized by the date of the sale of a non-current asset (or disposal group) shall be recognized at the date of derecognition. Requirements relating to derecognition are set out in: <p>(a) Paragraphs 82-87 of IPSAS 17<u>[draft] IPSAS [X] (ED 78)</u> for property, plant, and equipment; and</p> <p>(b) Paragraphs 111-116 of IPSAS 31 <i>Intangible Assets</i> for intangible assets.</p>	
	...	
	Effective Date	
	...	
ED78	54A. Paragraphs 16 and 32 were amended by [draft] IPSAS [X] (ED 78) issued in Month YYYY. An entity shall apply these amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies these amendments for a period beginning before MM DD, YYYY, it	

ED		Reason for change
	<u>shall disclose that fact and apply [draft] IPSAS [X] (ED 78) at the same time.</u>	
	...	
	Basis for Conclusions	
	...	
	Scope	
	...	
ED78	<p>BC7. <u>When this Standard was issued, t</u>The IPSASB <u>had</u> also discussed whether disclosures requiring the carrying amount of surplus non-current assets or non-current assets that are to be transferred to other public sector entities should <u>have been</u> added to IPSAS 17, <i>Property, Plant, and Equipment</i> and IPSAS 31, <i>Intangible Assets</i>. The IPSASB <u>had</u> decided that because these transactions <u>were</u> are beyond the scope of [draft] IPSAS [X] (ED 79) (as noted above in BC 6) and <u>were</u> are not consequential amendments arising from this [draft] Standard, it is <u>was</u> not appropriate to include a requirement for such disclosures in [draft] IPSAS [X] (ED 79). The IPSASB <u>had</u> also noted that IPSAS 17 encourageds disclosures for temporarily idle property, plant, and equipment, and property, plant, and equipment retired from active use that is not within the scope of [draft] IPSAS [X] (ED 79). <u>In developing [draft] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>, the IPSASB noted that these principles are still applicable.</u></p>	
	...	