

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Washington, D.C, USA

Meeting Date: March 14—17, 2023

Agenda Item 11

For:

- ☐ Approval
☒ Discussion
☐ Information

PHASE II OF MEASUREMENT

Project summary	The project objective is to evaluate the applicability of current operational value in IPSAS.	
Project staff lead	<ul style="list-style-type: none"> Agustina Llambi, Senior Manager 	
Task Force members	<ul style="list-style-type: none"> David Watkins, IPSASB Technical Advisor (Task Force Chair) Members to be determined in Q2 2023 	
Meeting objectives	Topic	Agenda Item
Project management	Measurement: Project Roadmap	11.1.1
	Instructions up to Previous Meeting	11.1.2
	Decisions up to Previous Meeting	11.1.3
Decisions required at this meeting	Population - IPSAS in Scope of Phase II	11.2.1
	Analysis of COV Applicability to IPSAS 41, Financial Instruments	11.2.2

**PHASE II OF MEASUREMENT:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
December 2022	1. Application of COV - Phase 2 of the Measurement was added to the work program .
March 2023	1. Discussion of Issues
June 2023	1. Discussion of Issues
September 2023	1. Discussion of Issues 2. Review of Exposure Draft (page flip)
December 2023	1. Approval of Exposure Draft
March 2024 – June 2024	1. Document Out for Comment
September 2024	1. Review Responses to Exposure Draft 2. Discuss Issues
December 2024	1. Review of Pronouncement (page flip) 2. Approve Amendment

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2022	1. N/A – no instructions at this time.	1. N/A – no instructions at this time.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2022	1. The potential application of COV across the existing suite of IPSAS should be added to the work program as a separate phase, with work to begin after the expected approval of IPSAS, <i>Measurement</i> , in March 2023.	1. Measurement: Application of COV has been added to the work program .

Population - IPSASs in Scope of Phase II

Question

1. Does the IPSASB agree with the recommendations?

Recommendation

2. Staff recommend IPSAS in scope of Phase II are:

IPSAS 12, <i>Inventories</i>	IPSAS 27, <i>Agriculture</i>	IPSAS 37, <i>Joint Arrangements</i>
IPSAS 16, <i>Investment Property</i>	IPSAS 31, <i>Intangible Assets</i>	IPSAS 40, <i>Public Sector Combinations</i>
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	IPSAS 43, <i>Leases</i>
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	

Background

3. In December 2022, the IPSASB added Phase II to the measurement project to evaluate the applicability of current operational value in IPSAS that permit the use of fair value after initial recognition, which were not explicitly considered in the first phase of the project¹.

Analysis

4. To determine the scope of Phase II of the measurement project, staff performed or will perform the following:
 - (a) **Reviewed the suite of IPSAS.** The 2023 handbook was reviewed to determine the population of IPSAS.
 - (b) **Identified IPSAS that provided guidance on how to measure an asset.** Current operational value is a current value measurement developed for assets. IPSAS that do not prescribe how to measure an asset are not relevant when considering the applicability of current operational value. (See [Appendix A](#))
 - (c) **Excluded IPSAS that do not include subsequent measurement at current values.** Current operational value is a current value measurement. IPSAS that do not allow fair value are not relevant when considering the applicability of current operational value. (See paragraph 5(b))
 - (d) **Identified IPSAS for which a committed project exists.** Staff noted that limited scope projects exist in the IPSASB's Work Program (Thru 2024) for IPSAS 21, *Impairment of Non-Cash-Generating Assets*, IPSAS 31, *Intangible Assets* and IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*. The objective of the

¹ The applicability of current operational value as a current value measurement basis was explicitly considered for assets in the scope of IPSAS 45, *Property, Plant, and Equipment*.

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limited scope projects for IPSAS 21 and IPSAS 31 is to evaluate the applicability of current operational value. The objective of the limited scope for IPSAS 33 is to address the challenges and inconsistencies identified in its application. (See [Appendix A](#))

- (e) **Excluded IPSAS where assets are held only for their financial capacity.** Current operational value was developed for assets held for their operational capacity. Where the IPSAS applies to assets clearly held only for their financial capacity, staff will exclude the IPSAS from the scope of Phase II. This analysis will be developed for the June and September 2023 meetings (see financial instruments analysis in [Agenda item 11.2.2](#) illustrating the process to be applied)

5. Below is a summary of staff's analysis, as outlined in paragraph 4. See [Appendix A](#) for the suite of IPSAS:

- (a) Question A: Does the IPSAS include asset measurement guidance?
(b) Question B: Does the IPSAS permit subsequent measurement at fair value²?
(c) Question C: Is the IPSAS in scope of an open or committed project?
(d) Question D: Assets in scope are only held for their financial capacity?

IPSAS	A	B	C	D
Group 1: IPSAS that permit current value measurements and are not in scope of a committed project.				
IPSAS 16, <i>Investment Property</i>	Yes	Yes	No	To be determined
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	Yes	Yes	Yes	To be determined
IPSAS 27, <i>Agriculture</i>	Yes	Yes	No	To be determined
IPSAS 40, <i>Public Sector Combinations</i>	Yes	Yes	No	To be determined
IPSAS 41, <i>Financial Instruments</i>	Yes	Yes	No	Yes, see Agenda Item 11.2.2
IPSAS 44, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>	Yes	Yes	No	See paragraph 6(a)(i)
Group 2: IPSAS which measurement basis is in kind to fair value.				
IPSAS 12, <i>Inventories</i>	Yes	No	No	To be determined

² The subsequent measurement basis is fair value or based on fair value, for example, fair value less cost to sell.

Group 3: IPSAS where subsequent measurement is determined by other IPSAS³ or requires the use of the equity method				
IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	Yes	Footnote 3	No	To be determined
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Yes	Footnote 3	No	To be determined
IPSAS 37, <i>Joint Arrangements</i>	Yes	Footnote 3	No	To be determined
IPSAS 43, <i>Leases</i>	Yes	Footnote 3	Yes	To be determined
Group 4: IPSAS that permit current value measurements and are in scope of a committed project				
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	Yes	Yes	Yes	To be determined
IPSAS 31, <i>Intangible Assets</i>	Yes	Yes	Yes	To be determined
IPSAS 33, First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)	Yes	Yes	Yes	See paragraph 6(d)(i)

6. Staff recommend the following groups to be in scope of Phase II:
- (a) **Group 1.** Staff recommend including these IPSAS in scope, except as noted below, because they include current value measurement bases and are not in scope of a committed project.
 - (i) Staff recommend scoping out IPSAS 44. For an asset to be classified as held for sale (or disposal group) its carrying amount shall be recovered principally through a sale transaction rather than through continuing use⁴. Therefore, assets in scope of IPSAS 44 are not held for their operational capacity and current operational value is not an applicable measurement basis.
 - (b) **Group 2.** Staff recommend including IPSAS 12 in scope, as net realizable value is a current value measurement permitted to measurement inventory.
 - (c) **Group 3.** Staff recommend these IPSAS be included in the scope of Phase II, because the conclusion arrived in other IPSAS, such as IPSAS 45, *Property, Plant, and Equipment*, may not be appropriate for assets in scope of IPSAS in group 3, such as IPSAS 43, *Leases*.

³ These IPSAS require that after initial recognition an entity is to apply the subsequent measurement requirements of another IPSAS, for example paragraph 12 of IPAS 32, *Service Concession Arrangements*: Grantor requires that after initial recognition service concession assets shall be accounted for in accordance with IPSAS 17, *Property, Plant and Equipment* or IPSAS 31, *Intangible Assets*.

⁴ Paragraph 11 of IPSAS 44.

- (d) **Group 4:** Staff recommend these IPSAS be included in the scope of Phase II, except as noted below, because the limited scope projects committed in the Work Program were to evaluate the applicability of current operational value, which is consistent with the purpose of Phase II of the measurement project.
 - (i) Staff recommend excluding IPSAS 33 from the scope of Phase II. The scope of the IPSAS 33 project is broader than the evaluation of the applicability of current operational value. However, any amendments to IPSAS 33 as a consequence of changes proposed to IPSAS within the scope of Phase II will be considered.

Decision Required

- 7. Does the IPSASB agree with the Staff [recommendation](#)?

Appendix A – Suite of IPSASs (2023 Handbook)

1. Staff identified standards that prescribe the accounting treatment of assets (question A), and whether there is an open or committed project for this standard on the IPSASB's Work Program (question B). Bolded IPSAS are those recommended to be included in the population of Phase II.

International Public Sector Accounting Standards (IPSAS)	A	B
IPSAS 1, <i>Presentation of Financial Statements</i>	No	Yes
IPSAS 2, <i>Cash Flow Statements</i>	No	No
IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	No	No
IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>	No	No
IPSAS 5, <i>Borrowing Costs</i>	No	No
IPSAS 6, <i>Consolidated and Separate Financial Statements</i> (Superseded by IPSAS 34)		
IPSAS 7, <i>Investments in Associates</i> (Superseded by IPSAS 36)		
IPSAS 8, <i>Interests in Joint Ventures</i> (Superseded by IPSAS 37)		
IPSAS 9, <i>Revenue from Exchange Transactions</i>	No	Yes
IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i>	No	No
IPSAS 11, <i>Construction Contracts</i>	No	Yes
IPSAS 12, <i>Inventories</i>	Yes	No
IPSAS 13, <i>Leases</i> (excluded as it will be superseded by IPSAS 43 on January 1, 2025)		
IPSAS 14, <i>Events After the Reporting Date</i>	No	No
IPSAS 16, <i>Investment Property</i>	Yes	No
IPSAS 17, <i>Property, Plant, And Equipment</i> (will be superseded by IPSAS 45, <i>Property, Plant, and Equipment</i> on January 1, 2026) ⁵		
IPSAS 18, <i>Segment Reporting</i>	No	No
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	No	No
IPSAS 20, <i>Related Party Disclosures</i>	No	No
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	Yes	Yes
IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i>	No	No

⁵ Property, plant, and equipment was explicitly considered in the first phase of the Measurement project.

IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>	No	Yes
IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>	No	No
IPSAS 25, <i>Employee Benefits</i> (Superseded by IPSAS 39)		
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	Yes	No
IPSAS 27, <i>Agriculture</i>	Yes	No
IPSAS 28, <i>Financial Instruments: Presentation</i>	No	No
IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i> (Superseded by IPSAS 41)		
IPSAS 30, <i>Financial Instruments: Disclosures</i>	No	No
IPSAS 31, <i>Intangible Assets</i>	Yes	Yes
IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	Yes	No
IPSAS 33, <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASS)</i>	Yes	Yes
IPSAS 34, <i>Separate Financial Statements</i>	No	No
IPSAS 35, <i>Consolidated Financial Statements</i>	No	No
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Yes	No
IPSAS 37, <i>Joint Arrangements</i>	Yes	No
IPSAS 38, <i>Disclosure of Interests in Other Entities</i>	No	No
IPSAS 39, <i>Employee Benefits</i>	No	No
IPSAS 40, <i>Public Sector Combinations</i>	No	No
IPSAS 41, <i>Financial Instruments</i>	Yes	No
IPSAS 42, <i>Social Benefits</i>	No	No
IPSAS 43, <i>Leases</i> (Upcoming with an effective date of January 1, 2025)	Yes	Yes
IPSAS 44, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>	Yes	No

Analysis of COV Applicability to IPSAS 41, *Financial Instruments*

Question

1. Does the IPSASB agree with Staff recommendation?

Recommendation

1. Staff recommend the IPSASB that current operational value is not an applicable measurement basis for assets in scope of IPSAS 41, *Financial Instruments*.

Background

2. In December 2022, the IPSASB decided to create Phase II of the measurement project to evaluate the applicability of current operational value in IPSAS that permit the use of fair value that were not explicitly considered during the first phase of the project⁶.
3. Staff identified IPSAS 41, *Financial Instruments* in [Agenda Item 11.2.1](#) to be in scope of Phase II of the measurement project. The analysis of IPSAS 41 was developed to illustrate the methodology staff will apply in June and September 2023 when analyzing the applicability of COV to the other IPSAS scoped into Phase II.

Analysis

4. The objective of IPSAS 41, *Financial Instruments* is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of an entity's future cash flows⁷.
5. Financial assets in scope of IPSAS 41 are held for either the collection of contractual cash flows or for the generation of cash flows by selling the financial asset(s) or both⁸. The expectation or intent of a reporting entity holding such assets is the generation of cash inflows. Therefore, these are assets held with the objective to generate a financial return and are considered to be held for their financial capacity.
6. Current operational value is a current value measurement basis that was developed to address the unique characteristics of assets held for their operational capacity by public sector entities. Because financial assets in scope of IPSAS 41 are held for their financial capacity, current operational value is not an applicable measurement basis for assets in scope of IPSAS 41.

Decision Required

7. Does the IPSASB agree with the Staff [recommendation](#)?

⁶ The applicability of current operational value as a current value measurement basis was explicitly considered for assets in the scope of IPSAS 45, *Property, Plant, and Equipment*.

⁷ Paragraph 1 of IPSAS 41, *Financial Instruments*.

⁸ Paragraph 39-43 Classification of Financial Assets of IPSAS 41, *Financial Instruments*.