

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

**Meeting Location:** Washington, D.C., USA.

**Meeting Date:** March 14–17, 2023

## Agenda Item 4

For:

☒ Approval

☐ Discussion

☐ Information

### MEASUREMENT

<b>Project summary</b>	The project objective is to revise IPSAS requirements for measurement, provide guidance on measurement and address the treatment of transaction costs and borrowing costs.	
<b>Project staff leads</b>	<ul style="list-style-type: none"> <li>Agustina Llambi, Senior Manager</li> <li>Dave Warren, Director</li> </ul>	
<b>Drafting Group</b>	<ul style="list-style-type: none"> <li>Ian Carruthers, IPSASB Chair (Drafting Group Chair)</li> <li>David Watkins, Task Force Chair</li> <li>Abdullah Al-Mehthil, IPSASB Member</li> <li>Todd Beardsworth, IPSASB Member</li> <li>Lynn Pamment, IPSASB Member</li> <li>Scott Showalter, IPSASB Member</li> <li>Andrew van der Burgh, Technical Advisor</li> <li>Francesco Capalbo, Task Force Member</li> <li>Takeo Fukiya, Task Force Member</li> <li>Jonathan Fothergill, Task Force Member</li> <li>Elles Mukunyadze, Task Force Member</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Measurement: Project Roadmap</a>	<a href="#">4.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">4.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">4.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Approval of IPSAS 46, <i>Measurement</i></a>	<a href="#">4.2.1</a>
<b>Other supporting items</b>	<a href="#">[draft] IPSAS 46, <i>Measurement</i> (Tracked Changes Version)</a>	<a href="#">4.3.1</a>

**MEASUREMENT:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
March 2019	1. Approve Consultation Paper and Illustrative Exposure Draft
June 2019 – September 2019	1. Document Out for Comment
December 2019	1. Preliminary Review of Responses to Consultation Paper
March 2020	1. Review of Responses to Consultation Paper 2. Discussion of Issues
June 2020	1. Discussion of Issues
September 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft
December 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft
April 2021 – October 2021	1. Document Out for Comment
December 2021	1. Preliminarily Review of Responses
March 2022	1. Review Responses 2. Discuss Issues
June 2022	1. Review Responses 2. Discuss Issues
September 2022	1. Discuss Issues
December 2022	1. Review [draft] IPSAS, <i>Measurement</i> 2. Page flip of COV materials
March 2023	1. Approve Pronouncement

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
February 2023	1. Reflect editorial comments proposed in the final draft of IPSAS 46.	1. All editorial comments proposed have been reflected in IPSAS 46. See <a href="#">Agenda Item 4.3.1</a> .
	2. Update the recommended effective dates of IPSAS 45, <i>PP&amp;E</i> , and IPSAS 46, to January 1, 2025.	2. See Program and Technical Director's Report - Agenda Item 3.
	3. Update the recommended effective dates of IPSAS 47, <i>Revenue</i> , and IPSAS 48, <i>Transfer Expenses</i> , to January 1, 2026, pending discussion of whether to re-expose.	3. See Program and Technical Director's Report - Agenda Item 3.

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
February 2023	1. Subject to editorial comments, the deemed cost proposals should be incorporated into [draft] IPSAS 46.	1. See <a href="#">[draft] IPSAS 46, Measurement</a> BC20A-BC20C.
December 2022	1. COV should be permitted when determining the deemed cost of an item of property, plant, and equipment.	1. See <a href="#">[draft] IPSAS 46, Measurement</a> BC20A-BC20C.
	2. 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.	2. Measurement: Application of COV has been added to the <a href="#">work program</a> .
October 2022	1. None.	1. N/A
September 2022	1. Assets should be valued in their existing location when applying Current Operational Value (COV).	1. See <a href="#">[draft] IPSAS 46, Measurement</a> BC38-BC40.
	2. An entry price should be used when applying COV.	2. See <a href="#">[draft] IPSAS 46, Measurement</a> BC33G-BC33H.
	3. The income approach should be removed as a measurement technique for COV.	3. See <a href="#">[draft] IPSAS 46, Measurement</a> BC47A.
June 2022	1. Fair Value guidance in the final standard should be aligned with IFRS 13, and so a separate public sector measurement basis is required.	1. See <a href="#">[draft] IPSAS 46, Measurement</a> BC29-BC33 and BC51-BC55.
	2. The public sector measurement basis will value the asset based on the physical, or underlying, items that comprise the asset, rather than the services or benefits derived from the asset.	2. See <a href="#">[draft] IPSAS 46, Measurement</a> BC33I-BC33K.
	3. The development of a public sector measurement basis should be based on the Current Operational Value principles proposed in ED 77. Each principle will be reviewed for applicability in the public sector context.	3. See <a href="#">[draft] IPSAS 46, Measurement</a> BC29-BC33.
	4. Fair value should not be required to measure assets held for their operational capacity as it may not provide users with the most useful information.	4. See <a href="#">[draft] IPSAS 46, Measurement</a> BC29-BC33.
	5. The 'current asset' and 'existing use' principles are core to Current Operational Value and should be retained.	5. See <a href="#">[draft] IPSAS 46, Measurement</a> BC33I-BC33K and BC33L-BC33M.

## Agenda Item 4.1.3

	6. The wording proposed by staff to clarify that the income approach is the only technique available to estimate the Cost of Fulfillment in paragraph D22, is appropriate.	6. See <a href="#">[draft] IPSAS 46, Measurement</a> Paragraph D22.
	7. The insertion of the new paragraphs 54, 55, and BC72 to indicate the Board's decision to maintain the disclosure requirements in the individual IPSAS, is appropriate.	7. See <a href="#">[draft] IPSAS 46, Measurement</a> Paragraphs 54, 55 and BC70A.
	8. The updates made to BC23A–BC23D and IGB2, to clarify the selection of the accounting policy, were appropriate.	8. See <a href="#">[draft] IPSAS 46, Measurement</a> Paragraphs BC27A–BC27D and IG.B2.
March 2022	1. The fair value principles proposed in ED 77 are appropriate in developing [draft] IPSAS [X], <i>Measurement</i> .	1. See <a href="#">[draft] IPSAS 46, Measurement</a> BC51–BC55.
	2. The cost of fulfillment principles proposed in ED 77 are appropriate in developing [draft] IPSAS [X], <i>Measurement</i> .	2. See <a href="#">[draft] IPSAS 46, Measurement</a> BC50A–BC50C.
	3. The location of the disclosure requirements proposed in ED 77 is appropriate in developing [draft] IPSAS [X], <i>Measurement</i> .	3. See <a href="#">[draft] IPSAS 46, Measurement</a> BC70A.
	4. The current value disclosure application table should be inserted in the applicable IPSAS as part of the amendments to other IPSAS.	4. See <a href="#">[draft] IPSAS 46, Measurement</a> IG A.2.
	5. The Board is content with the clarifying of accounting policy choice guidance provided in ED 77 and is not recommending any amendments thereto.	5. See <a href="#">[draft] IPSAS 46, Measurement</a> BC27A–BC27C.
	6. A BC should be added to IPSAS 33 to clarify “deemed cost” guidance in [draft] IPSAS [X], <i>Measurement</i> applies to IPSAS 33.	6. See <a href="#">[draft] IPSAS 46, Measurement</a> BC84A and BC130 of IPSAS 33.
	7. The Board supported the recommendation to insert Appendix A of Agenda Item 9.2.7 in the relevant IPSAS in which current value measurement disclosures are expected to be substantive for the preparers of the annual financial statements.	7. See <a href="#">[draft] IPSAS 46, Measurement</a> IG A.2.
	8. The Board supported the recommendations suggested in Agenda Item 9.2.8.	8. Minor amendments reflected throughout IPSAS, Measurement.
February 2021	1. All decisions made up until February 2021 were reflected in <a href="#">ED 77, Measurement</a> .	1. All decisions made up until February 2021 were reflected in <a href="#">ED 77, Measurement</a> .

## **Approval of IPSAS 46, *Measurement***

### **Question**

1. Does the IPSASB agree to vote to approve IPSAS 46, *Measurement*, and the proposed effective date of January 1, 2025?

### **Recommendation**

2. Staff recommend the IPSASB:
  - (a) Vote to approve IPSAS 46 based on the IPSASB's Program and Technical Director assertion that due process has been followed effectively in its development; and
  - (b) Select an effective date of January 1, 2025.

### **Background**

3. The IPSASB completed its review of [draft] IPSAS 46 at its February 2023 check-in meeting. This paper summarizes the IPSASB's work in compliance with due process in developing [draft] IPSAS 46.

### **Analysis**

#### *Due Process*

4. IPSAS 46 establishes a comprehensive measurement framework for the public sector. The pronouncement better aligns the IPSAS measurement requirements with those established in the Conceptual Framework. The IPSASB has followed due process throughout this project (see full analysis in [Appendix 1](#)). Key activities and final steps in due process are outlined below.
5. The IPSASB released [Exposure Draft \(ED\) 77, \*Measurement\*](#) in April 2021. The IPSASB received 45 comment letters, which were reviewed and analyzed by IPSASB staff.
6. Between December 2021 and February 2023, the IPSASB discussed and addressed issues raised by EDs 77 respondents in its development of IPSAS 46.
7. When the staff are satisfied a proposed final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval:
  - (a) **Staff present the revised content of the exposed international standard to the IPSASB;**  
See [Agenda Item 4.3.1](#).
  - (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**  
The IPSASB Program and Technical Director asserts that due process has been followed effectively in developing IPSAS 46.
  - (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**  
The IPSASB Chair asks the IPSASB for confirmation on due process.
  - (d) **The IPSASB votes on the approval of IPSAS 46 in accordance with its [Terms of Reference](#);**

Staff, in consultation with the Task Force Chair, recommend the approval of IPSAS 46.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Based on its analysis, staff conclude that there are no substantial changes that would require a vote on re-exposure by the IPSASB, and the benefits of re-exposure do not justify the costs.

- (f) **The IPSASB sets the effective date of the application of IPSAS 46;** and

Staff and Task Force Chair recommend the IPSASB set an effective date for IPSAS 46 of January 1, 2025.

- (g) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] IPSAS 46 includes the Basis for Conclusions ([Agenda Item 4.3.1](#)).

**Decision Required**

8. Does the IPSASB agree with the staff [recommendation](#)?

**Appendix 1 – Due Process for Approval of IPSAS 46, *Measurement***

1. IPSAS 46, *Measurement* introduces straight-forward measurement principles, by way of a subsequent measurement framework, that apply throughout IPSAS and align with the Conceptual Framework. The IPSASB has followed due process throughout this project. As such, the detail of the final steps in due process are noted below.
2. IPSASB issued [Consultation Paper, \*Measurement\*](#) in April 2019. The IPSASB received 32 comment letters, which were deliberated and considered in forming its views and development of the Exposure Draft (ED).
3. The IPSASB released [ED 77, \*Measurement\*](#) in April 2021. The IPSASB received 45 comment letters, which were reviewed and analyzed by IPSASB staff.
4. Between December 2021 and February 2023, the IPSASB discussed and addressed issues raised by [ED 77](#) respondents in its development of [draft] IPSAS 46, *Measurement*.
5. When the staff are satisfied a proposed new final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval:

**(a) Staff present the revised content of the exposed international standard to the IPSASB;**

[Agenda Item 4.3.1](#) includes all changes in mark-up from the version presented at the February 2023 check-in meeting. These changes are based on comments received from members. There were no changes to the principles.

**(b) The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director, asserts due process has been followed effectively, noting that:

- [ED 77](#) was issued for consultation;
- Responses to the ED were received and made publicly available on the [IPSASB website](#);
- The IPSASB has deliberated significant matters raised in the comment letters at its meetings between December 2021 and February 2023, and decisions taken have been minuted; and
- The IPSASB will be asked to consider whether there are any issues raised by respondents, in addition to those summarized by staff, that it considers should be discussed by the IPSASB and agree there are none.

**(c) The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB for confirmation on due process.

**(d) The IPSASB votes on the approval of IPSAS 46, *Measurement* in accordance with its [Terms of Reference](#);**

Staff, in consultation with the Task Force Chair, recommend the approval of IPSAS 46.



**(e) The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff confirm that there have been no substantial changes that would require a vote on re-exposure by the IPSASB.

The IPSASB Program and Technical Director, in consultation with the Chair of the IPSASB, advises the IPSASB that no substantial changes have been made to ED 77 such that necessitate re-exposure.

Changes to ED 77 reflect matters raised in comment letters. These changes enhance the interpretation of ED 77 to help constituents apply the Pronouncement (IPSAS 46) in practice. No principles were altered.

**(f) The IPSASB sets the effective date of the application of IPSAS 46; and**

The IPSASB will need to consider the effective date of IPSAS 46. Paragraph A44 of the IPSASB's [Due Process and Working Procedures](#) requires the IPSASB to consider the reasonable expected minimum period for effective implementation, including the need for translation into national languages.

Staff note that the IPSASB's usual practice when approving a new IPSAS is to set an effective date that commences:

- (a) A minimum of 18 months after the publication of a Standard; and
- (b) On January 1.

IPSAS 46 is expected to be published in April 2023. If the IPSASB were to follow its usual practice, this would result in an effective date of January 1, 2025.

Based on discussions at the February 2023 Check-In Meeting, staff and the Task Force Chair recommend the effective date be set as **January 1, 2025**. Setting the effective date in 2025 takes into consideration:

**Public Interest.** The Measurement project brief was approved in 2017. Providing stakeholders with principled measurement guidance that applies across IPSAS in a timely manner is important. An effective date in 2025 exceeds the 18-month minimum, which allows constituents time to implement and adopt the pronouncement, but balances with setting an effective date in a timely manner.

**Complexity (Resource availability).** IPSAS 46 brings measurement guidance across the suite into a single IPSAS. Of the four measurement bases explained in detail in IPSAS 46, three currently exist in the literature (fair value, historical cost, and cost of fulfillment). Resource requirements to apply these three bases should be minimal. Putting current operational value (COV) into practice will require more resources. However, at present COV applies only to PP&E, thus limiting the burden on resources in the near term.

**(g) The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] IPSAS 46 includes Basis for Conclusions (See [Agenda Item 4.3.1](#)).

**Supporting Documents 1 - IPSAS 46, *Measurement* TRACKED CHANGES  
VERSION**

1. This supporting document includes a tracked changes version of IPSAS 46, *Measurement*.
  - (a) All changes proposed by members since the February Check-In meeting are reflected in this supporting document.
  - (b) Changes are tracked from the version reviewed at the February Check-In meeting.
  - (c) Paragraphs added to the BCs are added with an alphanumeric reference and deleted paragraphs are noted as '[deleted]'. This was to maintain the ED 77 numbering of the BCs to facilitate tracking. Paragraphs will be renumbered on approval.