

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: February 23, 2023

Agenda Item 1

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.	
Project staff leads	<ul style="list-style-type: none"> Agustina Llambi, Senior Manager Dave Warren, Deputy Director 	
Task Force members	<ul style="list-style-type: none"> Ian Carruthers, IPSASB Chair (Drafting Group Chair) David Watkins, Task Force Chair Abdullah Al-Mehthil, IPSASB Member Todd Beardsworth, IPSASB Member Lynn Pamment, IPSASB Member Scott Showalter, IPSASB Member Andrew van der Burgh, IPSASB Member Francesco Capalbo, Task Force Member Takeo Fukiya, Task Force Member Jonathan Fothergill, Task Force Member Elles Mukunyadze, Task Force Member 	
Meeting objectives	Topic	Agenda Item
Project management	Measurement: Project Roadmap	1.1.1
	Instructions up to Previous Meeting	1.1.2
	Decisions up to Previous Meeting	1.1.3
Decisions required at this meeting	Deemed Cost – Updates to IPSAS 46	1.2.1
	Effective Dates (for discussion purposes)	1.2.2
	Next Steps (for informational purposes)	1.2.3
Other supporting items	[draft] IPSAS 46, <i>Measurement</i> (Clean Version)	1.3.1
	[draft] IPSAS 46, <i>Measurement</i> (Tracked Changes Version)	1.3.2

**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
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
December 2022	1. Work with the drafting group to develop the revised deemed cost definition and guidance, and to appropriately articulate the Board's views in the basis for conclusions.	1. Deemed cost principles reflect December 2022 decisions and instructions. See Agenda Item 1.2.1 .
	2. Reflect editorial changes in the final draft of IPSAS [X], <i>Measurement</i> for consideration at the February 2023 check-in meeting, in advance of the planned March 2023 approval.	2. All editorial changes have been reflected in [draft] IPSAS 46, Measurement (Tracked Changes) . Changes are tracked from December 2022 meeting.

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2022	1. COV should be permitted when determining the deemed cost of an item of property, plant, and equipment.	1. See [draft] IPSAS 46, Measurement 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 work program .
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 [draft] IPSAS 46, Measurement BC38-BC40.
	2. An entry price should be used when applying COV.	2. See [draft] IPSAS 46, Measurement BC33G-BC33H.
	3. The income approach should be removed as a measurement technique for COV.	3. See [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement BC29-BC33.
	5. The 'current asset' and 'existing use' principles are core to Current Operational Value and should be retained.	5. See [draft] IPSAS 46, Measurement BC33I-BC33K and BC33L-BC33M.
	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 [draft] IPSAS 46, Measurement Paragraph D22.

Agenda Item 1.1.3

	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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement BC51–BC55.
	2. The cost of fulfillment principles proposed in ED 77 are appropriate in developing [draft] IPSAS [X], <i>Measurement</i> .	2. See [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement 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 [draft] IPSAS 46, Measurement IG A.2.
	8. The Board supported the recommendations suggested in Agenda Item 9.2.8.	8. Minor amendments reflected throughout IPSAS, <i>Measurement</i> .
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

Deemed Cost – Updates to IPSAS, *Measurement*

Question

1. Does the IPSASB agree with the changes proposed to deemed cost recommended by the Drafting Group?

Recommendation

2. The Drafting Group recommends the deemed cost proposals reviewed by the IPSASB in December be clarified as proposed in this Agenda Item.

Background

3. At its December 2022 meeting, the IPSASB reviewed a final draft of IPSAS 46, *Measurement*. The IPSASB decided:
 - (a) COV should be permitted when determining the deemed cost of an item of property, plant, and equipment.
4. The IPSASB instructed staff to reflect this decision by working with the Drafting Group to develop the revised deemed cost definition and guidance, and to appropriately articulate the Board's views in the basis for conclusions.

Analysis

Process

5. The Drafting Group reviewed the changes to IPSAS 46 for deemed cost on three occasions:
 - (a) **Collaboration time (December 6, 2022).** After the measurement session at the December meeting, the Drafting Group used the collaboration time to action the IPSASB instruction. These changes were presented to the IPSASB on the final day of the December meeting.
 - (b) **Drafting Group Call (January 18, 2023).** The Drafting Group met virtually to review a second iteration of the Deemed Cost changes. Changes were limited to:
 - (i) Instructions provided by IPSASB members in December;
 - (ii) Staff's recommended changes after having additional time to consider the broader impacts.
 - (c) **Email (February 3, 2023).** The Drafting Group performed a final review of the deemed cost guidance during the week ended February 3, 2023. Members reviewed to ensure instructions from the Drafting Group Call were actioned appropriately.

Deemed Cost Changes

6. IPSAS 46 amendments to address the deemed cost instruction are consistent with the draft reviewed by the IPSASB on the final day of the December meeting. Given the strong proposals developed by the Drafting Group in December, changes to the December proposals are limited to:
 - (a) Clearer articulation of the deemed cost guidance; and

Agenda Item 1.2.1

- (b) Paragraphs not identified in December (the Drafting Group and staff had sufficient time in Q1 2023 to identify all necessary amendments). These additional paragraphs are primarily in the amendments to IPSAS 33 section.

Decision Required

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

Appendix A – Dependencies

1. This appendix summarized all changes made to IPSAS 46 related to deemed cost:
 - (a) Deemed cost amendments reviewed by the IPSASB in December 2023 are tracked in **red**.
 - (b) Deemed cost amendments recommended by the Drafting Group in Q1 2023 are tracked in **green**.
2. A tracked changes version of IPSAS 46, highlighting all changes made to IPSAS 46 since December, including editorials is included in [Agenda Item 1.3.2](#).

Section	Proposed Change
Core Text	<p>9. Deemed cost is an amount used as a surrogate for transaction price at the measurement date.</p> <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> <ol 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, a one or more current value measurement techniques basis deemed cost is <ins>are</ins> used to <ins>measure the initial value of the asset or liability. A current value measurement basis is used to</ins> estimate the value of the asset or liability as a <ins>determine the</ins> deemed cost <ins>of the asset or liability</ins> on initial measurement. Current value measurement techniques bases are described in paragraphs 23–31.</p> <p>12. Circumstances where a transaction price may not be observable or may not faithfully present relevant information may include:</p> <ol style="list-style-type: none"> (a) The tTransaction price <ins>includes that have</ins> a concessionary element; (b) An aAssets <ins>is</ins> transferred to the entity free of charge by a government or donated to the entity by another party; (c) A lLiabilityies <ins>might be</ins> imposed by legislation or regulation; (d) A lLiabilityies to pay compensation or a penalty arises from an act of wrongdoing or breach of contract; (e) The tTransaction prices <ins>is are</ins> affected by relationships between the parties, or by financial distress or other duress of one of the parties; and (f) The tTransaction prices <ins>information is are</ins> not available on the date of adoption of IPSAS as defined in IPSAS 33.
Amendments to Other IPSAS	<p>Amendments to IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)</p> <p>42. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. [Deleted]</p>

Section	Proposed Change
	<p>43. Consistent with IPSAS 12, <i>Inventories</i>, and IPSAS 16, <i>Investment Property</i>, and IPSAS 17, IPSAS 41, <i>Financial Instruments</i>, and IPSAS 31, <i>Intangible Assets</i>, assets acquired through non-exchange transactions are measured at their fair value as at the date of acquisition. <u>Consistent with IPSAS 45, assets acquired through non-exchange transactions are measured at their deemed cost as at the date of acquisition. The primary objective for which an entity holds property, plant, and equipment determines the current value measurement basis. Property, plant, and equipment held for its operational capacity is measured at current operational value. Property, plant, and equipment held for its financial capacity is measured at fair value.</u></p> <p>97. On initial recognition, gifts and donations, including goods in-kind, <u>of:</u></p> <p style="padding-left: 20px;"><u>(a) Inventories, investment property, financial instruments, intangible assets are measured at their fair value; and</u></p> <p style="padding-left: 20px;"><u>(b) Property, plant, and equipment assets are measured at their deemed cost: as 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 IPSAS 46. The primary objective for which an entity holds property, plant, and equipment, in accordance with IPSAS 45, determines the current value measurement basis used to determine deemed cost. Property, plant, and equipment held for its operational capacity is measured at current operational value. Property, plant, and equipment held for its financial capacity is measured at fair value.</u></p> <p>BC16. <u>Prior to the effective date of IPSAS 46, Measurement, This this</u> Standard requires <u>required</u> that assets acquired through non-exchange transactions be initially measured at their fair value as at the date of acquisition. The IPSASB is of the view that this is <u>had concluded the use of fair value was</u> appropriate to reflect the substance of the transaction and its consequences for the recipient. In an exchange transaction, the cost of acquisition is a measure of the fair value of the asset acquired. However, by definition, in a non-exchange transaction the consideration provided for the acquisition of an asset is not approximately equal to the fair value of the asset acquired. Fair value most faithfully represents <u>represented</u> the actual value the public sector entity accrues as a result of the transaction. Initial measurement of assets acquired through non-exchange transactions at their fair value 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</p>

Section	Proposed Change
	<p>IPSAS 16 and IPSAS 17 to fully align those IPSASs with the requirements of this Standard.</p> <p>BC16A. <u>As part of the development of IPSAS 46, Measurement, the IPSASB decided deemed cost should be clarified to include current operational value. The IPSASB agreed permitting to permit the use of current operational value on initial measurement where the transaction price does not faithfully provide relevant information to does not contradict previous conclusions that fair value appropriately reflects the substance of the transaction. While fair value continues to faithfully represent the value to the public sector entity accrues as a result of the transaction when the asset is held for its financial capacity, current operational value more faithfully represents the value of the asset to the public sector entity when the transaction occurs for assets held for their operational capacity. While fair value continues to faithfully represent the value to the public sector entity of property, plant, and equipment held for its financial capacity, current operational value faithfully represents the value of the property, plant, and equipment held for their operational capacity.</u></p> <p>Amendments to IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</p> <p>9. Deemed cost is an amount used as a surrogate for acquisition cost or depreciated cost at a given date. [deleted]</p> <p>41B. <u>A first-time adopter shall apply the guidance in IPSAS 46 when measuring assets and/or liabilities at historical cost, current operational value, cost of fulfillment or fair value.</u></p> <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 historical cost model in IPSAS 16; (ba) Right-of-use assets (see IPSAS 43); (c) Property, plant, and equipment (see IPSAS 17); [deleted] (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); (e) Financial Instruments (see IPSAS 41); or (f) Service concession assets (see IPSAS 32). <p>64A. <u>A first-time adopter may also elect to measure property, plant, and equipment, at the at deemed cost, being their current operational value or fair value, in</u></p>

Section	Proposed Change
	<p><u>accordance with IPSAS 46, when the entity will apply that measurement basis to the asset in future reporting periods reliable cost information about the assets and liabilities is not available. In accordance with IPSAS 45, the primary objective for which an entity holds property, plant, and equipment determines the current value measurement basis. Property, plant, and equipment held for its operational capacity is measured at current operational value. Property, plant, and equipment held for its financial capacity is measured at fair value.</u></p> <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 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 <u>current operational value, or</u> fair value, as its deemed cost at that date. Any subsequent depreciation is based on the fair value determined <u>measured</u> at that date and starts from the date that the deemed cost has been determined.</p> <p>66. The use of deemed cost is not considered a revaluation or the application of the <u>fair current</u> value model for subsequent measurement in accordance with other IPSASs.</p> <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, <u>when the property, plant, and equipment is held for its financial capacity; or</u> (ab) <u>Current operational value, when the property, plant, and equipment is held for its operational capacity; or</u> (b) Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index. <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, <u>or 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

Section	Proposed Change
	<p>recognize and/or measure certain assets, the event driven fair value, <u>or 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.</p> <p>69. In determining measuring the fair <u>current</u> value in accordance with paragraph 67, the first-time adopter shall apply the definition of fair value, <u>or current operational value</u>, and guidance in other applicable IPSASs <u>IPSAS 46 in determining to measure the fair value of the asset in question. The fair value shall reflect conditions that existed at the date on which it was determined measured.</u></p> <p>70. If reliable market-based evidence of fair observable inputs of <u>current</u> value is <u>are</u> not 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 <u>in accordance with IPSAS 46.:</u></p> <p>(a) For inventory, current replacement cost; and</p> <p>(b) For investment property of a specialized nature, depreciated replacement cost; and</p> <p>(c) For property, plant, and equipment, current operational value.</p> <p>71. A first-time adopter may elect to measure an asset acquired through a non-exchange transaction at its fair value, <u>or for property, plant, and equipment at its fair value or current operational value</u>, when reliable cost information about the asset is not available, and use that fair value as its deemed cost. <u>In accordance with IPSAS 45, the primary objective for which an entity holds property, plant, and equipment determines the current value measurement basis. Property, plant, and equipment held for its operational capacity is measured at current operational value. Property, plant, and equipment held for its financial capacity is measured at fair value.</u></p>
Basis for Conclusions	<p>BC17. The IPSASB discussed the applicability of the subsequent measurement framework to initial and subsequent measurement. <u>Unless otherwise required or permitted by another IPSAS, the IPSASB concluded measurement bases identified in the subsequent measurement framework are applicable to initial measurement at deemed cost when the transaction price does not faithfully present relevant information of about the entity in a manner that is useful in holding the entity to accountable, and for decision-making purposes, at a deemed cost, and concluded that it is applicable to measurement in the financial statements (i.e., subsequent measurement).</u></p> <p>BC18. <u>Unless otherwise required or permitted by another IPSAS, oOn</u> the transaction date an asset or liability is initially measured at its transaction price or, <u>as noted in paragraph BC17 when the transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding</u></p>

Section	Proposed Change
	<p>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 <u>technique basis</u> 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 model or current value 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> <p>BC20A. <u>With the development of current operational value for assets held for operational capacity, the IPSASB decided deemed cost should be clarified to be an amount used as a surrogate for transaction price. To clarify this clarification replaces</u> The definition of deemed cost in IPSAS 33, First-Time Adoption of Accruals Basis International Public Sector Accounting Standards (IPSASs), was replaced to reflect the IPSASB's decision and allows for initial measurement of property, plant, and equipment transactions where the transaction price does not faithfully present relevant information to be measured at current operational value, in addition to fair value.</p> <p>BC20B. <u>The IPSASB agreed</u> concluded <u>the usefulness of information that current operational value provides financial statement users in subsequent measurement for assets held for their operational capacity also applies at initial measurement.</u></p> <p>BC20C. <u>The IPSASB agreed</u> permitting current operational value to determine deemed does not contradict previous conclusions <u>concluded that fair value appropriately reflects the substance of the transaction. While</u> Fair value continues to faithfully represent the value to the public sector entity accrues as a result of the transaction when the asset is held for its financial capacity, and current operational value more faithfully represents the value of the asset to the public sector entity when the transaction occurs for assets held for their operational capacity.</p>

Effective Dates (for discussion purposes)

Purpose

1. Enable the IPSASB to holistically consider the effective dates of pronouncements expected to be approved in March 2023.
2. This paper is for discussion purposes only. The IPSASB sets an effective date for the application of the final pronouncement as part of the approval process.

Background

3. Over the 2019-2023 Strategy and Work Program, the IPSASB has undertaken several broad topics. The breadth of these topics creates interdependencies between ongoing projects. Effective dates must be set to ensure, when effective, each pronouncement can be applied independent of any pronouncements yet to be effective.

Analysis

4. Staff proposed effective dates for the IPSASB to consider holistically. The following factors were considered when proposing effective dates:
 - (a) **Dependencies.** Some projects rely on guidance that exists in another ongoing project. This is the case when a pronouncement applies principles, or references paragraphs, in the guidance in another standard (or developing standard). For example:
 - (i) IPSAS 45, *PP&E* allows the application of current operational value (COV);
 - (ii) COV guidance exists only in IPSAS 46, *Measurement*; therefore
 - (iii) IPSAS 45 is dependent on IPSAS 46.
 - (b) **Staggering.** With the six pronouncements becoming effective over a short period, effective dates are staggered to not overwhelm resources in any given year.
 - (c) **Complexity / sufficient time to adopt.** Longer effective dates are proposed for pronouncements expected to require significant resources to implement.
 - (d) **Minimum period.** Generally, IPSASB provides at least 18 months for an effective date from the approval on the standard. This is extended at the IPSASB's discretion.¹

¹ Paragraph A44 of Due Process indicates in setting the date for the application of an international standard (if applicable), the IPSASB considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages.

5. The following projects were, or are being, approved in close proximity:

Project	Dependencies	Effective Date
IPSAS 43, <i>Leases</i>	No dependencies	January 1, 2025 (approved)
IPSAS 44, <i>Non-Current Assets Held for Sale</i>	No dependencies	January 1, 2025 (approved)
IPSAS 45, <i>PP&E</i>	IPSAS 43, IPSAS 44, IPSAS 46	January 1, 2026 (proposed)
IPSAS 46, <i>Measurement</i>	No dependencies	January 1, 2026 (proposed)
IPSAS 47, <i>Revenue</i>	No dependencies	January 1, 2027 (proposed)
IPSAS 48, <i>Transfer Expenses</i>	IPSAS 47	January 1, 2027 (proposed)
Leases Phase II	IPSAS 43	TBD
Measurement Phase II	IPSAS 46	TBD

6. See [Appendix A](#) for dependency details.

Decision Required

7. No decision required. This paper is for discussion purposes only.

Appendix A – Dependencies

1. This appendix details the dependencies of each pronouncement identified in [Agenda Item 1.2.2](#).

Project	Dependencies
IPSAS 43, <i>Leases</i> Effective Date <u>January 1, 2025</u>	<p>IPSAS 43 was issued in January 2022. It has an effective date of January 1, 2025.</p> <p>The IPSASB addressed the IPSAS 43 dependency on revenue guidance by requiring the application of IFRS 15, <i>Revenue from Contracts with Customers</i>. IPSAS 47, <i>Revenue</i>, will amend the IFRS 15 reference to replace it with IPSAS 47.</p> <p>Staff's view is it is unnecessary to amend the proposed effective date of IPSAS 43 because any revenue component of a lease transaction is accounted for by applying IFRS 15, until IPSAS 47 is effective or adopted².</p> <p>Maintaining the current effective date and retaining the IFRS reference until the application of IPSAS 47, <i>Revenue</i> allows the Leases standard to be implemented independently of IPSAS 43.</p>
IPSAS 44, <i>Non-Current Assets Held for Sale or Discontinued Operations</i> Effective Date <u>January 1, 2025</u>	<p>IPSAS 44 was issued in May 2022. It has an effective date of January 1, 2025.</p> <p>This IPSAS is not dependent on any other IPSAS included in this table.</p> <p>Staff view is that there is no reason to consider amending the effective date of IPSAS 44.</p>

² IPSAS 47 is likely to permit early adoption if an entity chooses to do so.

<p>IPSAS 45, <i>PP&E</i></p> <p>Proposed Effective Date <u>January 1, 2026</u></p>	<p>IPSAS 45, <i>PP&E</i>, was approved in December 2022.</p> <p>IPSAS 45 is dependent on:</p> <ul style="list-style-type: none"> - IPSAS 43, <i>Leases</i>. IPSAS 45 requires an entity to apply the guidance in <i>Leases</i> to determine the date of disposal of an item thought a sale and leaseback and for any gains/losses on a sale and leaseback to be accounted for in accordance with <i>Leases</i>. - IPSAS 44, <i>Non-Current Assets Held for Sale or Discontinued Operations</i>. IPSAS 45 requires separate disclosures of assets held for sale. - IPSAS 46, <i>Measurement</i>. IPSAS 45 introduces the ability to apply COV. COV is introduced in IPSAS 46, <i>Measurement</i>. <p>The effective date of IPSAS 45 needs to be set on or after the effective dates for IPSAS 43, 44 and 46.</p> <p>With IPSAS 43 and 44 effective January 1, 2025, staff propose the effective date of IPSAS 45 be January 1, 2026, consistent with the IPSAS 46 proposal.</p>
<p>IPSAS 46, <i>Measurement</i></p> <p>Proposed Effective Date <u>January 1, 2026</u></p>	<p>IPSAS 46 is not dependent on other IPSAS in this table. Meaning on its own it could have whichever effective date agreed by IPSASB. However, IPSAS 45 references IPSAS 46 and is dependent on it.</p> <p>Therefore, to align with IPSAS 45, staff propose IPSAS 46 also has an effective date of January 1, 2026.</p>
<p>IPSAS 47, <i>Revenue</i></p> <p>Proposed Effective Date <u>January 1, 2027</u></p>	<p>IPSAS 47 is not dependent on any other IPSAS in this table. However, implementing new revenue requirements is expected to be require significant resources.</p> <p>Staff propose IPSAS 47 have an effective date of January 1, 2027. This allows:</p> <ul style="list-style-type: none"> (a) Sufficient time for preparers to implement the new guidance; (b) Staggers implementation dates of several new standards over several years to reduce the burden on stakeholders; and (c) Provides additional time necessary if the IPSASB votes to re-expose the guidance.

IPSAS 48, <i>Transfer Expenses</i> Proposed Effective Date <u>January 1, 2027</u>	<p>Transfer Expenses is dependent on IPSAS 47, <i>Revenue</i>. Several terms applied in Transfer Expenses are defined and reference in IPSAS 47.</p> <p>IPSAS 48 can be effective on or after the effective date of IPSAS 47, <i>Revenue</i>.</p> <p>Staff propose packaging the effective dates of IPSAS 47 and 48 on January 1, 2027, for the same reasons stated above.</p>
Leases Phase II Effective Date <u>TBD</u>	<p>Phase II of the leases project proposes new accounting requirements for concessionary leases and right-of-use assets in-kind. This project is dependent on IPSAS 43, <i>Leases</i>, as it builds on the principles laid out in that standard.</p> <p>Staff are of the view Phase II can be applied on or after the effective date of IPSAS 43, <i>Leases</i>, because guidance for specific lease type arrangements can occur after the general guidance in the standard is being applied.</p>
Measurement Phase II Proposed Effective Date <u>TBD</u>	<p>Phase II of the measurement project will evaluate the applicability of current operational value across IPSAS. This project is dependent on IPSAS 46, <i>Measurement</i>, as COV must exist to apply Phase II.</p> <p>Staff are of the view Phase II can be applied on or after the effective date of IPSAS 46, <i>Measurement</i>, because the application of COV across IPSAS can occur after the specific application of COV principles to PP&E.</p>

Next Steps (for informational purposes)

Purpose

1. Outline the final steps of the Measurement Project.

Background

2. During the current phase of the project, development of the final IPSAS, the IPSASB has addressed comments received in response to ED 77. The two overarching themes prevalent across the ED were:
 - (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 analysis did not identify any significant issues.
 - (b) **Current operational value.** The substantive issues identified in response to ED 77 related to COV. This was expected. COV was 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 additional clarification and further consideration is consistent with what the IPSASB expected when ED 77 was exposed.
3. Given the strong support across three of the four measurement bases, historical cost, cost of fulfillment and fair value, the related proposals have largely been carried over to the [\[draft\] final standard](#).
4. In finalizing the measurement standard, the IPSASB dedicated its efforts to COV. Respondents supported the need for a public sector measurement basis, and COV; however, they requested further clarification of the principles proposed in ED 77. In June and September 2022, the IPSASB revisited each COV principle proposed in ED 77 to determine whether it supported the presentation of relevant and useful information when measuring assets held for their operational capacity.
5. In December 2022, the IPSASB reviewed the complete [draft] pronouncement. The IPSASB decided to:
 - (a) Revise the deemed cost definition and guidance (see [Agenda Item 1.2.1](#)); and
 - (b) Add a second phase to the measurement project which considers the application of COV across IPSAS (see [Work Program](#)).

Next Steps

6. The measurement project is entering its final phase. Issues raised by respondents to ED 77 have been addressed by the IPSASB throughout 2022 and have been reflected in the [\[draft\] final standard](#).
7. In advance of the March 2023 meeting, staff will:
 - (a) Address any February 2023 instructions related to deemed cost (see [Agenda Item 1.2.1](#)); and
 - (b) Reflect any editorial comments provided by members in advance of the March 2023 meeting.
8. To support the vote to approve IPSAS 46, *Measurement*, the IPSASB will be provided an Agenda Item outlining the scope of Phase II of the measurement project.

9. Consistent with the IPSASB's established practice, an editorial group will be formed to review the approved version of IPSAS 46, *Measurement*. This editorial group is supported by staff and is overseen by the Task Force Chair. Before the pronouncement is issued, the Program and Technical Director will report to the IPSASB chair to confirm changes are editorial in nature.

Decision Required

10. No decision required.

Supporting Documents 1 – IPSAS 46, *Measurement* CLEAN VERSION

This supporting document includes a clean version of IPSAS 46, *Measurement*.

- All changes identified in [Agenda Items 1.2.1](#) are reflected in this supporting document.
- This supporting document is identical to the 'tracked changes' version included in [Agenda Item 1.3.2](#).

**Supporting Documents 2 – IPSAS 46, *Measurement* TRACKED CHANGES
VERSION**

This supporting document includes a tracked changes version of IPSAS 46, *Measurement*.

- All changes identified in [Agenda Items 1.2.1](#) are reflected in this supporting document.
- This supporting document is identical to the 'clean' version included in [Agenda Item 1.3.1](#).
- Changes are tracked from the version reviewed on the final day of the December IPSASB meeting.
- 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.