

Meeting: International Public Sector Accounting
Standards Board

Meeting Date: September 15-17, 2026

Agenda Item 6

MEASUREMENT – APPLICATION PHASE: COV IN IPSAS 31

Project summary	The project objective is to evaluate the applicability of current operational value in IPSAS 31, <i>Intangible Assets</i> .	
Meeting objective	The meeting objective is to approve the [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46).	
Project staff lead	Dinith Saram, Manager	
Task Force members	N/A	
Essential Documents (Required Reading)	Topic	Agenda Item
	Basis for Conclusions to IPSAS 31, Intangible Assets (Application of Current Operational Value to Intangible Assets)	6.A.1
	Amendments to IPSAS 31.74 (Subsequent Measurement of the Current Value Model)	6.A.2
	Application of COV to Intangible Assets: Modern Equivalent Asset and Unused Capacity	6.A.3
	Approval of [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46)	6.A.4
	[draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46)	6.A.5
	Supporting Document 1 – [draft] Final Pronouncement, Application of Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46)	6.A.6
Supporting Documents (Encouraged Reading: Posted Separately on Meeting Page)	Measurement – Application Phase: COV in IPSAS 31 Dashboard	6.B.1
Background Information (Available on the project webpage)	Decisions and Instructions from the previous IPSASB Meeting	
	Due Process Checklist	
	Project Timeline	

Prepared by: Dinith Saram (August 2026)

Basis for Conclusion to IPSAS 31, *Intangible Assets* (Application of Current Operational Value to Intangible Assets)**Decision Required**

1. The IPSASB is required to decide whether the proposed IPSAS 31 Basis for Conclusion in the [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46) appropriately reflects the IPSASB's discussion and decisions.

Context

2. At the June 2026 Meeting, the IPSASB decided that current operational value (COV) should be available, without an active market restriction, to measure intangible assets held for operational capacity in the scope of IPSAS, 31, *Intangible Assets*.
3. Given the mixed responses from constituents to Exposure Draft (ED) 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement* and the IPSASB's extensive discussions on the topic, the IPSASB instructed staff to update the IPSAS 31 Basis for Conclusion to better articulate the rationale for its decision to include COV as an intangible asset measurement basis.

Analysis

4. Staff updated the Basis for Conclusion in [Agenda Item 6.A.6](#) to reflect:
 - (a) The IPSASB's conclusion that COV is applicable to intangible assets held for operational capacity (i.e., consistent with the Conceptual Framework and IPSAS 46); and
 - (b) The IPSASB's deliberations in response to constituent feedback on ED 90, regarding:
 - (i) Delaying the assessment of COV applicability in IPSAS 31 until the IASB finalizes project decisions on IAS 38, *Intangible Assets*;
 - (ii) The potential for COV to produce unreliable or unrepresentative measurement for certain intangible assets;
 - (iii) Challenges associated with the applicability of COV principles to intangible assets since COV was originally designed for tangible assets; and
 - (iv) Concerns about the introduction of COV in IPSAS 31 without a reference to an active market.

Staff Recommendation

5. Staff recommend the IPSASB approve the IPSAS 31 Basis for Conclusion in the [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46).

Amendments to IPSAS 31.74 (Subsequent Measurement of the Current Value Model)

Decision Required

1. The IPSASB is required to decide whether to delete paragraph 74B of ED 90 and re-insert its contents to IPSAS 31.74.

Context

2. ED 90 proposed amendments to the subsequent measurement requirements in IPSAS 31 to introduce COV as a new measurement basis. One of the proposed amendments was moving the requirement to measure fair value by reference to an active market from paragraph 74 of IPSAS 31 to a newly created paragraph 74B.
3. The table below compares the content of IPSAS 31.74 to the ED 90 proposals:

Extract of IPSAS 31	
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 measured 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.
Extract of ED 90	
74.	After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value <u>or current operational value</u> at the date of the revaluation less any subsequent accumulated amortization and subsequent accumulated impairment losses. <u>The primary objective for which an entity holds an intangible asset determines the current value measurement basis. An intangible asset held primarily for its financial capacity is measured at fair value, and when held for its operational capacity it is measured at current operational value. For the purpose of revaluations under this Standard, fair value shall be measured 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.</u>
74B.	<u>Revaluations shall be made with such regularity that at the reporting date the carrying amount of the asset does not differ materially from its current value. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market.</u>

Analysis

4. The proposed relocation of the current value revaluation requirements from IPSAS 31.74 to paragraph 74B was intended to simplify the contents of IPSAS 31.74 following the introduction of COV related requirements. Staff are of the view that the simplification would unnecessarily fragment revaluation requirements, reduce their prominence, and increase the risk that preparers would overlook them.

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5. Staff noted that the ED 90 proposal to relocate the revaluation requirements would:
 - (a) Break the link between the initial measurement requirements in IPSAS 31.43 and the detailed current value requirements in IPSAS 31.74. IPSAS 31.43 currently refers to the revaluation requirements in IPSAS 31.74. Since paragraph 74 includes the requirement to measure fair value by reference to an active market, relocating this requirement to paragraph 74B in ED 90 would make it unclear whether fair value at initial measurement should be measured by reference to an active market; and
 - (b) Create an inconsistency with IAS 38, *Intangible Assets*. IPSAS 31.74 is currently aligned with IAS 38.75 as both paragraphs provide guidance on subsequent measurement and the related revaluation requirements.
6. The proposed relocation was intended to simplify the structure of the fair value requirements, not change the substance of the revaluation model.
7. Staff propose the following amendments to ED 90:
 74. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value or current operational value at the date of the revaluation less any subsequent accumulated amortization and subsequent accumulated impairment losses. The primary objective for which an entity holds an intangible asset determines the current value measurement basis. An intangible asset held primarily for its financial capacity is measured at fair value, and when held primarily for its operational capacity it is measured at current operational value. 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. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market.
 - 74B. ~~Revaluations shall be made with such regularity that at the reporting date the carrying amount of the asset does not differ materially from its current value. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market.~~

Staff Recommendation

8. Staff recommend reincorporating paragraph 74B proposed in ED 90 into IPSAS 31.74.

Application of COV to Intangible Assets: Modern Equivalent Asset and Unused Capacity

Decision Required

1. The IPSASB is required to determine whether the non-authoritative Implementation Guidance developed by Staff in the [draft] Final Pronouncement ([Agenda Item 6.A.6](#)) on the application of the modern equivalent asset and surplus capacity concepts is appropriate.

Context

2. At the March 2026 meeting, the IPSASB instructed Staff to address stakeholder comments in response to ED 90 by developing additional guidance, which may be authoritative and/or non-authoritative, on the application of COV principles, particularly related to the application of the modern equivalent asset and unused capacity concepts when using the cost approach to intangible assets in IPSAS 31.
3. IPSAS 46.IG.D.4 and IPSAS 46.IG.D.6 currently provide non-authoritative guidance on the application of unused capacity and modern equivalent assets, respectively. However, the implementation guidance is limited to examples on the application of the respective concepts in the context of tangible assets.

Analysis

Rationale for Developing Non-Authoritative IPSAS 46 Implementation Guidance

4. Staff deliberated on potential approaches to developing additional guidance, considering both the feedback received from constituents and IPSASB instructions. Staff concluded that building on the existing IPSAS 46 Implementation Guidance represents the most effective approach to responding to constituent feedback. Specifically, Staff propose to supplement the existing guidance in IPSAS 46.IG.D.4 and IPSAS 46.IG.D.6 by incorporating intangible asset examples and providing further explanations on how the existing principles are relevant in the context of intangible assets. This approach was considered preferable for the following reasons:
 - (a) Detailed intangible asset-specific guidance on the application of the modern equivalent asset and unused capacity concepts may be better suited as a potential IPSASB Explains module. The module would provide an appropriate platform for a more comprehensive examination of these concepts, including detailed explanations and illustrative materials. Accordingly, incorporating targeted intangible asset guidance into existing IPSAS 46 Implementation Guidance would address the immediate need for clarification without duplicating, or pre-empting the more extensive guidance that could be provided through a future IPSASB Explains module.
 - (b) Deferring all application guidance until an IPSASB Explains module is developed would not respond to stakeholder requests in the near term. The inclusion of intangible asset-specific examples to the existing IPSAS 46 Implementation Guidance would provide stakeholders with timely support while the development of broader educational materials is considered.
 - (c) Adding the examples to IPSAS 46 would be consistent with the approach adopted for tangible assets, for which all examples illustrating the application of COV are included in IPSAS 46,

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rather than IPSAS 45, *Property, Plant, and Equipment*. This approach consolidates the relevant guidance in one IPSAS Standard, prioritizes consistency across asset classes, and makes the implementation guidance easier for stakeholders to locate and apply.

Unused Capacity

5. IPSAS 46.D.4 includes two tangible asset examples that illustrate how to determine whether currently unused capacity should be excluded from an asset's COV. The guidance also provides a flowchart to support users in applying the relevant principles and making this determination.
6. Since the principles underlying the existing tangible asset examples are equally applicable to intangible assets, a separate example is not required. Accordingly, Staff built on the existing guidance by adding an intangible asset-specific example after the tangible asset examples. The example illustrates how the same principles apply when determining whether unused capacity should be included in the COV of an intangible asset.
7. Refer to [Agenda Item 6.A.6](#) for the intangible asset example added to IPSAS 46.IG.D.4.

Modern Equivalent Asset

8. The implementation guidance in paragraph D.6 explains the factors to consider when identifying a modern equivalent asset and determining the adjustments necessary to reflect the COV of an existing asset. The guidance uses the example of a historical building to illustrate a scenario in which a modern equivalent asset may not provide a suitable basis for measurement. The guidance does not explicitly provide an example demonstrating the identification of a modern equivalent asset and related adjustments.
9. To illustrate the practical application of the existing principles, Staff developed an intangible asset-specific example demonstrating how a modern equivalent asset may be identified and the potential adjustments that may be necessary to derive the COV of the existing asset.
10. Refer to [Agenda Item 6.A.6](#) for the intangible asset example added to IPSAS 46.IG.D.6.

Staff Recommendation

11. Staff recommend that the IPSASB approve the non-authoritative implementation guidance developed in IPSAS 46 on the unused capacity and modern equivalent asset COV concepts.

Approval of [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46)

1. The IPSASB has followed due process throughout the project. Thus, the details of the final steps in the due process are noted below:
2. The IPSASB released [Exposure Draft \(ED\) 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement](#) in April 2024. The IPSASB received 26 comment letters to ED 90, which were reviewed and analyzed by Staff.
3. In March and June 2026, the IPSASB discussed and addressed issues raised by ED 90 respondents in its development of the [draft] Final Pronouncement, Application of Current Operational Value to Intangible Assets (Amendments to IPSAS 31 and IPSAS 46):
 - (a) Staff reviewed and analyzed the 26 comment letters received;
 - (b) The IPSASB discussed and addressed the issues raised by ED 90 respondents;
 - (c) Staff actioned the IPSASB March and June 2026 decisions and instructions;
 - (d) Staff made several amendments in response to issues raised by respondents and IPSASB discussions to clarify its intent and maintain consistency with the COV principles introduced in ED 90.
 - (e) Staff added the expected publication date (October 2026) and proposed effective date (January 1, 2029, see rationale in paragraph 4(f)).
4. When Staff are satisfied that a proposed new final international pronouncement (i.e., the Final Pronouncement) is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):
 - (a) Staff present the revised content of the exposed international standard to the IPSASB;

[Agenda Item 6.A.6](#) includes all changes from ED 90 presented to the IPSASB in this Agenda Item. Changes to the ED reflect matters raised in comment letters, clarification of proposed guidance, and consistency with existing guidance. There were no substantial changes to the guidance (see paragraph (e)).
 - (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, noting that:

 - ED 90 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 March and June 2026 meeting, and decisions taken will be 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.

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- (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 [draft] Final Pronouncement in accordance with its [terms of reference](#);**

Staff recommend the approval of the [draft] Final Pronouncement.

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

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 90 that would necessitate a vote on re-exposure.

Changes to ED 90 reflect matters raised in comment letters and remain consistent with those exposed in ED 90. The proposed amendment to Paragraph 74, and 74B of ED 90 (refer to [Agenda Item 6.A.2](#)) serves to clarify Staff's intent to maintain the consistent application of measurement principles at initial recognition and does not represent a departure from the principles proposed in ED 90. The changes are intended to enhance clarity and support the interpretation and application of the requirements in practice.

- (f) **The IPSASB sets the effective date of the application of [draft] Final Pronouncement);**

The IPSASB will need to consider the effective date of the [draft] Final Pronouncement. 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 Standard is to set an effective date that commences:

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

The [draft] Final Pronouncement is expected to be published in October 2026. Staff recommends an effective date of January 1, 2029.

Setting the effective date on January 1, 2029, also takes into consideration:

- Public Interest: Amendments to IPSAS as a result of the application of IPSAS 46 evaluates the applicability of current operational value to IPSAS 31, *Intangible Assets*. As such, similar to IPSAS 46, it is important to provide stakeholders with timely guidance on applying current operational value to IPSAS 31.
- Complexity/sufficient time to adopt: Amendments to IPSAS Standards as a result of the Application of IPSAS 46, Measurement applies the guidance found in IPSAS 46, effective

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January 1, 2026¹. The resource requirements for implementing this pronouncement are expected to leverage the implementation of IPSAS 46.

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

Staff highlight that the [draft] Final Pronouncement includes Basis for Conclusion. See [Agenda Item 6.A.6](#).

¹ <https://www.ipsasb.org/news-events/2023-05/ipsasb-issues-package-measurement-related-pronouncements>

[draft] Final Pronouncement, *Application of Current Operational Value to Intangible Assets* (Amendments to IPSAS 31 and IPSAS 46)

1. The [draft] Final Pronouncement is posted separately for easier readability.
2. The [draft] Final Pronouncement is consistent with Staff recommendations in Agenda Items 6.A.1–6.A.3.
3. The [draft] Final Pronouncement is formatted as follows:
 - (a) New text is underlined;
 - (b) Deleted text is struck through; and
 - (c) Grey shaded text represents unedited text from IPSAS 46, *Measurement*.