Agenda Item 5: Public Sector Measurement

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IPSASB Consultative Advisory Group Meeting
June 26, 2017
Luxembourg, Luxembourg
Overview

1. Introduction to the Public Sector Measurement project

Questions for CAG

2. What guidance needed to improve public sector measurement?

3. What options to address the IPSAS fair value problem?
Rationale: IPSAS should reflect Conceptual Framework’s approach to measurement, also:

• Other improvements, including more guidance
• Consistency and clarity: Not fundamental change

Contribution to public interest: Improve discussion in IPSAS:

• Better measurement of public sector-specific assets and liabilities, so more useful information
• More consistent measurement to support comparability
• Clearer, more understandable, with implementation guidance for difficult public sector issues
1. Public Sector Measurement Project

- **Task Force:** David Watkins (Chair), Aracelly Mendez, Francesco Copalbo, Stuart Barr and Takeo Fukiya

- **Multi-stage approach:**
  - *Stage 1:* Survey measurement requirements in IPSAS
  - *Stage 2:* Use results of Stage 1 to decide next steps

- **Outputs:**
  - *Intermediate outputs:* Consultation paper then exposure draft
  - *Final outputs:* (1) IPSAS amendments, (2) implementation guidance, and (3) clarification of transaction costs and borrowing costs when measuring assets and liabilities
What are the difficult topics where implementation guidance would be most helpful?

Background:

• Public sector differences:
  – Non-exchange transactions are common
  – Different reasons for having assets and liabilities
  – Different nature of assets and liabilities (e.g. heritage, infrastructure and military assets; social benefit obligations)

• See Appendix B for topics identified so far: Agree? More?
3. What is the “Fair Value Problem”? 

• The Conceptual Framework (CF):
  – Market value is used, with same meaning as “fair value” in IPSASs
  – Fair value is not included in the list of measurement bases
  – *Reasoning*: IFRS 13, *Fair Value Measurement*, has fair value as exit value. Exit values are not appropriate for many public sector assets and liabilities. (See CF *Basis for Conclusions*)

• “Fair value” in IPSAS *presently*:
  – Unclear (e.g. unclear how to determine fair value)
  – Not consistent with the Conceptual Framework
  – Confusing, because IFRS has a different meaning
What options should IPSASB consider to address the “fair value problem” in IPSAS?

Background

- IPSASB at early stage; has not identified options
- As prompts for this discussion, two options identified:
  1. Replace fair value with “market value” in IPSAS, to reflect the Conceptual Framework’s approach to measurement; or
  2. Continue to use “fair value”, but defined as in IFRS 13, *Fair Value Measurement*
In June the IPSASB will discuss:

- The project’s over-arching issues, subcomponents, prioritization and timetable; and
- IPSAS measurement treatment of:
  - Transaction costs; and
  - Borrowing costs.
- *Fair value problem*: A brief discussion is likely in June (as part of over-arching issues), with the main discussion at the IPSASB’s September meeting.