Agenda Item 6: Public Sector Measurement

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IPSASB Meeting
Washington D.C., USA
March 12–15, 2019
Public Sector Measurement

Session Outline

- Project Background
- Changes to CP/ED since December 2018 (Agenda Item 6.2.1)
- Review Task Force Recommendation (Agenda Item 6.2.2 – 6.2.4)
- Measurement Flowcharts (Agenda Item 6.2.5)
- Approval of Measurement CP/ED (Agenda Item 6.2.6)
March 2017 – March 2018:
• Initial discussions and project scoping

March 2018 – September 2018:
• Review and approval of draft CP/ED sections

December 2018
• Initial Review of aggregated Public Sector Measurement Documents

March 2019
• Approval of Public Sector Measurement Documents for Exposure
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Project Background (2/5)

Teleconference One
(January 30, 2019)
• Transaction costs

Teleconference Two
(February 13, 2019)
• Reviewed Transaction Costs Chapter
• Assets held for sale
• Market value vs fair value

Review of Consultation Paper
(February 18, 2019)
• Task Force member provided early version of CP for their review (time permitting)
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Project Background (3/5) – Due Process

Phase One
Consultation Paper

Phase Two
Exposure Draft
ED, Consequential Amendments, and Draft IPSAS, Measurement

Phase Three
Final Pronouncement
IPSAS, Measurement and amendments to other IPSASs and

Consultation Paper including Illustrative ED, Measurement

Comments Addressed in Phase Two
Comments Addressed in Phase Three
• Remove unnecessary paragraphs in ED (limit sections defining each measurement basis to 1 paragraph);
• Include only measurement bases with a corresponding appendix;
• Relocate reference on “unused” measurement bases to the CP (for example, Assumption Price);
• Develop SMC asking constituents whether they require further guidance on any measurement basis;
• Complete the Replacement Cost Appendix and elevate it to a principled level;
Instructions from IPSASB (December 2018)

- Reference the source of the guidance in the ED;
- Revisit the transaction costs chapter to incorporate the IPSASB discussion;
- Be consistent in the diagrams illustrating the relationship between the CP/ED;
- Incorporate IPSASB discussion into the “least costly manner” to the Cost of Fulfillment Principles; and
- Incorporate guidance on Assets Held for Sale or Disposal (either by asking a question in the CP or developing guidance).
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Changes to CP/ED since December 2018 (Agenda Item 6.2.1)

Consultation Paper – March 2019
- Project Overview
- Chapter 1: What are the Conceptual Framework Requirements?
- Chapter 2: How has the Illustrative ED been developed? NEW
- Chapter 3: How will the Illustrative ED need to be Developed Further?
- Equivalence Table
- Borrowing Costs
- Transaction Costs
- Market Value vs Fair Value NEW
- Chapter 4: Public Sector Measurement

Consultation Paper – December 2018
- Before you read further
- Chapter 1: Introduction
- Chapter 2: Conceptual Framework and Measurement
- Chapter 3 Borrowing Costs
- Chapter 4 Transaction Costs
- Chapter 5 Public Sector Measurement: Assets
- Chapter 6 Public Sector Measurement: Liabilities
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Transaction Costs (Agenda Item 6.2.2) (1/2)

**Issue** – *should transaction costs be included or excluded in measuring a particular transaction?*

**Task Force Recommendation**

- A measurement basis should include or exclude transaction costs based on:
  - The measurement objective (exit price or entry price); and
  - The timing of the transaction costs (incurred on entry or exit).
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
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Applicability of IFRS 5 in the Public Sector (Agenda Item 6.2.3) (1/2)

**Issue** – does the Illustrative Exposure Draft require Application Guidance on assets held for sale?

**Task Force Recommendation**

- Guidance in IFRS 5 falls outside of the scope of the measurement project – it addresses the what and not the how;
- Some of the guidance in IFRS 5 is relevant to the public sector and should be incorporated into IPSAS; and
- Further analysis is required after March 2019.
Matter for Consideration

*Does the IPSASB agree with the Task Force Recommendation?*
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MV Compared to FV (Agenda Item 6.2.4) (1/2)

**Issue** – *how should market value and fair value be differentiated in IPSAS?*

**Task Force Recommendation**

- The Task Force recommends addressing the overlap of Market Value and Fair Value as part of Phase II of the project.
Matter for Consideration

Does the IPSASB agree with the Task Force Recommendation?
**Issue** – *illustrate the IPSASB’s interpretation of how the measurement bases in the conceptual framework should be applied in IPSAS*

**Matter for Consideration**

- Does the Board agree the flow charts reflect the IPSASB’s views in how the measurement principles in the Conceptual Framework should be interpreted at standards level?
The IPSASB is asked to:

• Confirm it is satisfied there are no additional issues to be discussed by the IPSASB at this time;
• Approve Consultation Paper, *Public Sector Measurement*, including the Illustrative Exposure Draft for comment; and
• Confirm an exposure period ending September 30, 2019.