Agenda Item 6: Public Sector Measurement

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IPSASB Consultative Advisory Group Meeting
Kuala Lumpur, Malaysia
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Overview

• Project summary
• IPSAS, *Measurement*, and other IPSASs (6.1)
• Combined CP–ED: Communication with Constituents (6.2)
Project Summary – Project to address:

1. Measurement bases in IPSASs:
   • Not consistent with Conceptual Framework
   • IPSAS fair value different from IFRS 13 fair value
2. Service potential – need appropriate measurement base(s)
3. Other issues:
   • IPSAS guidance aligned with (a) government finance statistics reporting guidelines and (b) International Valuation Standards
   • Treatment of borrowing costs and transaction costs
   • More application guidance needed
   • Address measurement-related disclosures
6.1 IPSAS, *Measurement*, and other IPSASs

- IPSAS, *Measurement*:
  - *What* we mean by measurement bases (definitions and explanatory text)
  - *How* to derive measurement bases (application guidance)
  - *Why* the IPSASB has addressed issues in this way (basis for conclusions)

- Other IPSASs:
  - *Which* measurement basis applies: Other IPSASs address the choice of a measurement basis
6.1 IPSAS, *Measurement*, and other IPSASs

**Objective & Scope**
- Definitions
- Measurement Bases (What)
- Basis for Conclusions (Why)

**Application Guidance Appendices (How)**
- Cost of fulfillment
- Fair value
- Historical cost
- Replacement cost
- Net Selling price

**Other IPSAS**
- Which basis?
  - IPSAS 17
  - IPSAS 31
  - IPSAS 41
6.1 ED’s Text on Fair Value Measurement

- **CAG members**: Fair value meaning should be the same as in IFRS 13, *Fair Value Measurement*.

- **IPSASB decisions**:
  - Integrate fair value (as per IFRS 13) into IPSAS, *Measurement*
  - Fair value (IFRS 13) does apply to some assets and liabilities (e.g. financial instruments)
  - Develop application guidance for fair value, using the majority of IFRS 13’s text (an appendix in the ED)

- At this IPSASB meeting: Consider ED’s draft text on fair value, including disclosures
6.1 Questions to CAG Members

1. What are your views on IPSASB’s decisions on:
   a) Content of ED, *Measurement*; and
   b) Integration of fair value (IFRS 13) into IPSAS?

2. Will these changes to the location of measurement guidance/requirements in IPSASs support preparers and users in providing and understanding relevant information?

3. Are there any public interest issues that the IPSASB should consider, as it develops IPSAS, *Measurement*?
6.2 Combined CP and ED: Communication with Constituents

- Combined **CP and ED** is a new approach
- ED provides constituents with a clearer idea of the IPSASB’s direction of travel
- This new approach aims to
  - Get better feedback from constituents, earlier in the development process
  - Receive comments that provide a clearer understanding of what constituents want to see at the end of the development process
  - Faster “idea to market” delivery of new IPSASs
6.2 Combined CP and ED: Communication with Constituents

• Consultation paper (CP) will:
  – Discuss issues (e.g. borrowing costs); and,
  – Have the exposure draft (ED) in an appendix

• The ED will have:
  – Detailed and specific measurement proposals
  – Application guidance on measurement bases, including fair value (IFRS 13)
6.2 Combined CP and ED

**Consultation Paper**
- Conceptual Framework and Measurement
- Borrowing and transaction costs
- Public sector measurement
  - Assets
  - Liabilities
- Application Guidance

**ED, Measurement**
- What—Definitions of measurement bases
- How—Application guidance
- Disclosures
- Why—Basis for conclusions
6.2 Combined CP and ED: Process

IPSAS, Measurement
- Issued as final Standard.

Amendments to other IPSASs
- Consequential amendments to other IPSASs approved. Other IPSASs amended accordingly.
Questions to CAG Members (6.2)

What are your views on:

• How to communicate the CP-ED combined documents to constituents?

• Public interest issues for the IPSASB to consider, as it applies this new approach to consultation?
Next steps for Public Sector Measurement Project

• Planned approval of the combined CP+ED in March 2018, followed by period for consultation

• Receive and discuss constituent’s responses on the CP and ED

• IPSASB will develop:
  – IPSAS, *Measurement* [draft]; and
  – ED to address consequential amendments to other IPSASs