Exposure Draft 90
August 2024
Comments due: November 29, 2024

IPSAS®

Proposed International Public Sector Accounting Standard®

Amendments to IPSAS as a Result of the Application of IPSAS 46, *Measurement*

IPSASB International Public Sector Accounting Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective, the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

REQUEST FOR COMMENTS

This Exposure Draft (ED), *Amendments to IPSAS as a Result of the Application of* IPSAS 46*, Measurement*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by November 29, 2024.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link. Please submit comments in both a PDF and Word file. Comments must be received in English to be considered. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in English.

IPSASB's Measurement Application Phase Project

In March 2023, the IPSASB commenced the development of this ED with the primary objective of evaluating the applicability of current operational value across existing IPSAS, in the context of the recently approved current operational value principles in IPSAS 46, *Measurement*, and the updated objective of measurement of assets in the Updated Conceptual Framework: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*, both published in May 2023.

Objective of the ED

The objective of ED 90 is to propose amendments to specific IPSAS to:

(a) Add current operational value as an applicable current value measurement basis at initial and subsequent measurement for IPSAS 12, *Inventories*, and IPSAS 31, *Intangible Assets* (See Part 1);

(b) Update the definition of recoverable service amount in IPSAS 21, *Impairment of Non-Cash Generating Assets* (See Part 2);

(c) Add a definition of accounting estimate to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (See Part 3) consistent with IPSAS 46 terminology; and

(d) Enhance the consistency of current value measurement disclosures in IPSAS (See Part 4).

The Final Pronouncement is expected to include amendments to specific IPSAS, as discussed in this ED.

IPSAS Addressed and Analyzed

Table 1: Summary of the amendments proposed by ED 90:

IPSAS	**Description**
IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*	Amendments to: • Reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy. (See Part 1) • Include the definition of accounting estimates. (See Part 3)
IPSAS 12, *Inventories*	Amendments to reflect that current operational value is an applicable measurement basis: • At initial measurement, for inventories acquired in non-exchange transactions; and • At subsequent measurement, for inventories held for their operational capacity. (See Part 1)
IPSAS 16, *Investment Property*	Amendments to enhance the consistency of current value measurement disclosure terminology across IPSAS. (See Part 4)
IPSAS 27, *Agriculture*	Amendments to enhance the consistency of current value measurement disclosure terminology across IPSAS. (See Part 4)
IPSAS 21, *Impairment of Non-Cash Generating Assets*	Amendments to: • Update the definition of recoverable service amount to the higher of fair value less costs to sell and current operational value; and • Remove depreciated replacement cost, restoration cost, and service units approaches from IPSAS 21. (See Part 2)
IPSAS 30, *Financial Instruments: Disclosures*	Amendments to enhance the consistency of current value measurement disclosure terminology across IPSAS. (See Part 4)

IPSAS	**Description**
IPSAS 31, *Intangible Assets*	Amendments to reflect that current operational value is an applicable measurement basis: • At initial measurement, for intangible assets acquired in non-exchange transactions; and • At subsequent measurement, for intangible assets held for their operational capacity, when an entity chooses the current value model. (See Part 1)
IPSAS 34, *Separate Financial Statements*	Amendments to enhance the consistency of current value measurement disclosure terminology across IPSAS. (See Part 4)
IPSAS 38, *Disclosure of Interest in Other Entities*	Amendments to enhance the consistency of current value measurement disclosure terminology across IPSAS. (See Part 4)
IPSAS 40, *Public Sector Combinations*	Amendments to replace 'valuation techniques' with 'measurement techniques' for consistency with the new terminology introduced in IPSAS 46. (See Part 3)
IPSAS 41, *Financial Instruments*	Amendments to replace 'valuation techniques' with 'measurement techniques' for consistency with the new terminology introduced in IPSAS 46. (See Part 3)
IPSAS 45, *Property, Plant, and Equipment*	Amendments to replace 'valuation techniques' with 'measurement techniques' for consistency with the new terminology introduced in IPSAS 46. (See Part 3)
IPSAS 46, *Measurement*	Amendments to: • Clarify the application of the principle 'least costly manner' when measuring current operational value. (See Part 1) • Replace 'valuation techniques' with 'measurement techniques' for consistency with the new terminology introduced in IPSAS 46. (See Part 3)

Table 2: Summary of the IPSASB decision on the applicability of current operational value across IPSAS where no amendments are proposed by ED 90:

IPSAS	**Description**
IPSAS 16, *Investment Property*	The IPSASB decided current operational value is not an applicable measurement basis for investment properties in the scope of IPSAS 16 because these are not held for their operational capacity.

IPSAS	**Description**
IPSAS 27, *Agriculture*	The IPSASB decided current operational value is not an applicable measurement basis for assets in the scope of IPSAS 27 because these are not held for their operational capacity.
IPSAS 32, *Service Concession Arrangements: Grantor*	The IPSASB decided current operational value is an applicable subsequent measurement basis for service concession assets held for their operational capacity accounted for in accordance with IPSAS 45 and IPSAS 31. No amendments are proposed by ED 90 because IPSAS 32 cross-references to IPSAS 45 and IPSAS 31 for subsequent measurement of service concession assets where appropriate subsequent measurement guidance is located.
IPSAS 36, *Investments in Associates and Joint Ventures*	The IPSASB decided current operational value is not an applicable measurement basis for assets in the scope of IPSAS 36 because current operational value does not reflect the investor's ability to participate in the financial and operating decisions of the investee.
IPSAS 37, *Joint Arrangements*	The measurement requirements of assets within the scope of IPSAS 37 are determined by reference to other IPSAS. The IPSASB decided no amendments to IPSAS 37 are required and measurement of an asset within the scope of IPSAS 37 should continue to be determined by reference to the relevant IPSAS.
IPSAS 40, *Public Sector Combinations*	The measurement requirements of assets within the scope of IPSAS 40 are determined by reference to other IPSAS. The IPSASB decided no amendments to IPSAS 40 are required and measurement of an asset within the scope of IPSAS 40 should continue to be determined by reference to the relevant IPSAS.
IPSAS 41, *Financial Instruments*	The IPSASB decided current operational value is not an applicable measurement basis for financial assets because these are not held for their operational capacity.
IPSAS 43, *Leases*	The IPSASB decided current operational value is an applicable subsequent measurement basis for right-of-use assets held for their operational capacity when subsequently measured in accordance with IPSAS 45, *Property, Plant, and Equipment*. No amendments are proposed by ED 90 because IPSAS 43 cross-references to IPSAS 16 and IPSAS 45 for subsequent measurement of right-of-use assets at current values, where appropriate subsequent measurement guidance is located.

Guide for Respondents

The IPSASB welcomes comments on all the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the ED are provided below.

Specific Matter for Comment 1:

Do you agree that current operational value is an applicable current value measurement basis for assets in the scope of IPSAS 12, *Inventories*, and IPSAS 31, *Intangible Assets*, as proposed in Part 1 of this ED?

If you do not agree please explain your reasoning.

The ED includes an Alternative View on adding current operational value as an additional measurement basis to the current value model in IPSAS 31.

Specific Matter for Comment 2:

Part 1 of this ED proposes that current operational value is an applicable subsequent current value measurement basis for right-of-use assets (i.e., assets in scope of IPSAS 43, *Leases*).

(a) Do you agree that current operational value can be applied to the subsequent measurement of right-of-use assets? If you do not agree, please explain your reasoning.

(b) If you agree with (a), do you agree that current operational value can be applied using the current guidance in IPSAS 46 (without the income approach as one of its measurement techniques)? If you do not agree please explain your reasoning.

Specific Matter for Comment 3:

Do you agree with the replacement of value in use of a non-cash-generating asset by current operational value in the definition of recoverable service amount in IPSAS 21, *Impairment of Non-Cash Generating Assets,* as proposed in Part 2 of this ED? Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its current operational value.

If you do not agree please explain your reasoning.

EXPOSURE DRAFT 90, AMENDMENTS TO IPSAS AS A RESULT OF THE APPLICATION OF IPSAS 46, *MEASUREMENT*

CONTENTS

AMENDMENTS: PART 1 – APPLICABILITY OF CURRENT OPERATIONAL VALUE IN IPSAS

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph 40 is amended. Paragraphs 40A and 59G are added. New text is underlined and deleted text is struck through.

Changes in Accounting Estimates

…

40. A change in the measurement ~~basis~~ model applied is a change in an accounting policy, and is not a change in an accounting estimate. ~~When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.~~

40A. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

Effective Date

…

59G. **Paragraph 40 was amended and paragraph 40A was added by Part 1 of [draft] ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 3.

…

Revision of IPSAS 3 as a result of Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC16. The IPSASB decided in March 2023 to align IPSAS 3 and IPSAS 45, *Property, Plant, and Equipment* on how to account for a change in measurement basis in ED 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*.

BC17. During the development of IPSAS 45, the IPSASB decided in September 2022 that an entity choosing to adopt the current value model as its accounting policy choice for subsequent measurement purposes shall measure an item of property, plant, and equipment depending on the primary objective for which the entity holds the asset. Specifically, the IPSASB decided that an item of property, plant, and equipment that an entity holds for its operational capacity shall be measured at current operational value and when held for its financial capacity it shall be measured at fair value.

BC18. The IPSASB discussed the implication of this decision on the requirement in IPSAS 3 to treat a change in measurement basis as a change in accounting policy. IPSAS 45 notes that a change between current value measurement basis, when an entity chooses the current value model as its accounting policy choice, is appropriate when the primary objective for which the entity holds the item of property, plant, and equipment changes from operational capacity to financial capacity, or vice versa.

BC19. The IPSASB decided to amend IPSAS 3 to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy. When an entity chooses the current value model, instead of the historical cost model, it is making an accounting policy choice that requires an entity to develop an accounting estimate. Because current value measurement bases are accounting estimates, the change between them does not change such accounting policy choice to develop an accounting estimate. It is when an entity changes between measurement models that such accounting policy choice changes.

Amendments to IPSAS 12, *Inventories*

Paragraphs 1, 9, 16, 17, 31, 43, 50A, 50C(a)-50C(g), 50D, and 50E are amended. Paragraphs 17A and 51L are added. Heading above paragraph 43 is amended. New text is underlined and deleted text is struck through.

…

Objective

1. The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and current operational value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

…

Definitions

9. **The following terms are used in this Standard with the meanings specified:**

   ~~Current replacement cost~~ is the cost the entity would incur to acquire the asset on the ~~reporting date.~~

   …

   The term current operational value is defined in IPSAS 46, *Measurement.*

…

Measurement of Inventories

…

16. **Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their ~~fair value~~ deemed cost as at the date of acquisition. An entity shall apply IPSAS 46 when measuring the deemed cost of inventories.**

17. **Inventories shall be measured at the lower of cost and ~~current replacement cost~~ current operational value where they are held for:**

    (a) **Distribution at no charge (a transfer expense) or for a nominal charge; ~~or~~**

    (b) **Consumption in the production process of goods to be distributed at no charge (a transfer expense) or for a nominal charge~~.~~; or**

    (c) **Consumption in the rendering of services at no charge (a transfer expense) or for a nominal charge.**

17A. **An entity shall apply IPSAS 46 when measuring the current operational value of inventories measured in accordance with paragraph 17.**

…

Cost of Inventories

…

Techniques for the Measurement of Cost

…

31. Inventories may be transferred to the entity by means of a non-exchange transaction. For example, an international aid agency may donate medical supplies to a public hospital in the aftermath of a natural disaster. Under such circumstances, the cost of inventory is ~~its fair value as at the date it is acquired~~ valued in accordance with paragraph 16.

…

~~Distributing~~Distribution and Consumption of Goods at No Charge or for a Nominal Charge

43. A public sector entity may hold inventories ~~whose future economic benefits or service potential~~for purposes that are not directly related to their ability to generate net cash inflows. These types of inventories may arise when a government has determined to distribute certain goods at no charge (a transfer expense) or for a nominal amount. In these cases, the ~~future economic benefits or~~ service potential of the inventory for financial reporting purposes is ~~reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the entity. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made~~ measured in accordance with paragraph 17. If the purpose for which the inventory is held changes, then the inventory is valued using the provisions of paragraph 15.

…

Current Value Measurement

50A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For inventories that are measured at current operational value or fair value ~~on a recurring non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.

…

50C. To meet the objectives in paragraph 50A, an entity shall disclose, at a minimum, the following information for each class of inventories (see paragraph 50D for information on determining appropriate classes of inventories) measured at current operational value or fair value (including measurements based on fair value within the scope of IPSAS 46, *Measurement*) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The current operational value or fair value measurement at the end of the reporting period, and for ~~non-recurring fair~~

~~value~~current operational value measurements, the reasons for the measurement. ~~Recurring fair value measurements of inventories are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of inventories are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3)~~;~~. For current operational value measurements, whether the current operational value measurements are estimated using observable or unobservable inputs;

(c) For ~~recurring and non-recurring~~ current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For current operational value measurement estimated using significant unobservable inputs, or for fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g. when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity;

(d) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or ~~for recurring fair value measurements~~ estimated using unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

…

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or ~~for recurring fair value measurements~~ estimated using unobservable inputs, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those inventories held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized

(f) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or for ~~recurring and non-recurring~~ current operational value or fair value measurements estimated using unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

50D. An entity shall determine the appropriate disaggregation of inventories on the basis of the following:

(a) The nature, characteristics and risks of the inventories; and

(b) The level of the fair value hierarchy within which the fair value measurement is categorized.

The disaggregation may need to be greater for current operational value measurements estimated using unobservable inputs or for fair value measurements categorized within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. Determining the appropriate disaggregation of inventories for which disclosures about current operational value or fair value measurements should be provided requires judgment. Inventories will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IPSAS specifies the disaggregation for an inventory, an entity may use that disaggregation in providing the disclosures required in this Standard if that disaggregation meets the requirements in this paragraph.

50E. For each class of inventories not measured at current operational value or fair value in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 50C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using unobservable inputs, required by paragraph 50C(c). For such inventories, an entity does not need to provide the other disclosures required by this Standard.

…

Effective Date

…

51L. **Paragraphs 1, 9, 16, 17, 31, 43, 50A, 50C(a)-50C(g), 50D, and 50E, are amended, paragraph 17A is added, and heading above paragraph 43 is amended by Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 12.

…

Revision of IPSAS 12 as a result of the application of IPSAS 46, Measurement

…

BC11. During the development of ED 77, *Measurement*, ~~The~~the IPSASB had agreed to retain the current measurement bases in this Standard. The IPSASB specifically noted current replacement cost, which shares some characteristics with current operational value, should be retained, and not replaced in this Standard because when ~~IPSAS 46~~ ED 77 was issued, the IPSASB was not aware of any issues in practice when applying current replacement cost to inventory. The IPSASB agreed any changes to a specific measurement basis in this Standard should be considered as part of a standalone project related to this IPSAS. This ~~will~~ would allow stakeholders to clearly consider the implications of the proposal.

BC12. After approving IPSAS 46 in March 2023, the IPSASB decided to evaluate the applicability of current operational value across existing IPSAS, in the context of the recently approved current operational value principles in IPSAS 46 and the updated objective of measurement of assets in the Updated Conceptual Framework: Chapter 7, Measurement of Assets and Liabilities in Financial Statements.

Revision of IPSAS 12 as a result of Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year].

Reasons for Revising IPSAS 12

BC13. In March 2023, the IPSASB commenced the evaluation of the applicability of current operational value across existing IPSAS, except for IPSAS 45, *Property, Plant, and Equipment* where the IPSASB had already decided current operational value was an applicable current value measurement basis for assets held for their operational capacity when the entity elects the current value model as its accounting policy choice.

BC14. The IPSASB developed current operational value in response to constituents' concerns received on the April 2019 Measurement Consultation Paper that fair value is difficult and inappropriate to apply to assets held for their operational capacity. Therefore, when considering which IPSAS should be in the scope of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, the IPSASB identified IPSAS that require measurement of assets at current values or non-historical cost measurement basis.

Scope of the Revisions

BC15. The scope of the revisions to IPSAS 12 was limited to the evaluation of the applicability of current operational value for initial and subsequent measurement basis of inventories, to provide more relevant measurement information for inventories held for their operational capacity.

Evaluation of the applicability of current operational value

Measurement of Inventories

BC16. The IPSASB evaluated whether current operational value should replace current replacement cost in the measurement of inventories at the 'lower of cost and current replacement cost'. Measuring inventories at the lower of cost and current replacement cost is a public sector specific guidance for the measurement of inventories held for their operational capacity.

BC17. The IPSASB considered that current replacement cost and current operational value are both amounts that the entity would pay for the asset at the measurement date and share key principles - entry values and reflect the current condition of the existing asset. Therefore, replacing current replacement cost with current operational value is not expected to result in measurement differences, but rather will align IPSAS 12 measurement guidance with the IPSASB's updated measurement methodology in IPSAS 46, *Measurement*.

BC18. The IPSASB agreed that current operational value should replace current replacement cost when measuring inventories at the lower of cost and current replacement cost.

Initial Measurement of Inventories Acquired through a Non-Exchange Transaction

BC19. For inventories acquired through a non-exchange transaction, the IPSASB agreed to align IPSAS 12 initial measurement (i.e., fair value) with IPSAS 46 guidance. The alignment of the guidance results in an entity initially measuring inventories at deemed cost, meaning at current operational value or fair value depending on whether the entity holds the inventories for their operational capacity or financial capacity. The IPSASB noted that this will prevent a revaluation of inventories to current operational value after initial recognition solely because of differences between current value measurement bases.

Measuring Biological Assets (IPSAS 27) at the Lower of Cost and Current Operational Value

BC20. Paragraph 29 requires the cost of inventories comprising agricultural produce that an entity has harvested from its biological assets to be fair value less cost to sell at the point of harvest in accordance with IPSAS 27, *Agriculture*. Measuring inventories comprising agricultural produce that an entity has harvested from its biological assets at the lower of cost and current operational value could result in a revaluation when current operational value is lower than cost (i.e., fair value less cost to sell when the biological asset becomes inventory).

BC21. The IPSASB agreed the introduction of current operational value for the measurement of inventories held for their operational capacity is consistent with existing measurement guidance to measure inventory at the lower of cost and current replacement cost because:

(a) The IPSASB noted that the practice of writing inventories down below cost, in this case to current operational value, is consistent with the view that assets are not to be carried in excess of the service potential expected to be realized from their distribution, or consumption; and

(b) The expectation that current replacement cost and current operational value will yield a similar, if not the same, balance.

Current Value Measurement Disclosures

BC22. The IPSASB decided to remove the terms 'recurring' and 'non-recurring' to enhance the consistency of current value measurement disclosure terminology across IPSAS.

…

Comparison with IAS 2

IPSAS 12, Inventories is drawn primarily from IAS 2 Inventories (Revised 2003). The main differences between IPSAS 12 and IAS 2 are as follows:

…

- ~~A definition of current replacement cost, which is additional to the definitions in IAS 2, has been included in IPSAS 12.~~ [Deleted]
- IPSAS 12 requires that where inventories are acquired through a non-exchange transaction, their cost is their deemed cost ~~fair value~~ as at the date of acquisition.
- IPSAS 12 requires that where inventories are provided at no charge or for a nominal charge, they are to be valued at the lower of cost and current operational value ~~current replacement cost~~.

…

Amendments to IPSAS 31, *Intangible Assets*

Paragraphs 26, 28, 31, 43-45, 71, 74, 78, 80, 82, 121(c), 121(c)(i), 123A, 123C(a)-123C(g), and 123D-123E are amended. Paragraphs 71A, 74A, 74B, 132P and AG12-AG15 are added. The heading above paragraph AG12 and subheading above paragraph AG13 are added. New text is underlined and deleted text is struck through.

…

Recognition and Measurement

26. The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:

    (a) The definition of an intangible asset (see paragraphs 17–25); and

    (b) The recognition criteria (see paragraphs 28–30).

    This requirement applies to the cost measured at recognition (the cost in an exchange transaction or to internally generate an intangible asset, or the deemed costfair value of an intangible asset acquired through a non-exchange transaction) and those incurred subsequently to add to, replace part of, or service it.

…

28. **An intangible asset shall be recognized if, and only if:**

    (a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

    (b) The cost or fair value of the asset can be measured reliably[1].

…

31. **An intangible asset shall be measured initially at cost in accordance with paragraphs 32–43. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition, shall be measured at its deemed costfair value as at that date. An entity shall apply IPSAS 46, *Measurement* when measuring the deemed cost of intangible assets.**

…

Intangible Assets Acquired through Non-Exchange Transactions

…

43. Under these circumstances the cost of the item is its deemed costfair value at the date it is acquired. For the purposes of this Standard, the measurement at recognition of an intangible asset acquired through a non-exchange transaction, at its deemed costfair value consistent with the requirements of paragraph 74, does not constitute a revaluation. Accordingly, the revaluation requirements in

[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

paragraph 74, and the supporting commentary in paragraphs 75–86 only apply when an entity elects to revalue an intangible item in subsequent reporting periods.

…

Exchange of Assets

44. One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at currentfair value unless the currentfair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at currentfair value, its cost is measured at the carrying amount of the asset given up.

45. Paragraph 28(b) specifies that a condition for the recognition of an intangible asset is that the cost of the asset can be measured reliably. The currentfair value of an intangible asset is reliably measurable if:

    (a) The variability in the range of reasonable currentfair value measurements is not significant for that asset: or

    (b) The probabilities of the various measurements within the range can be reasonably assessed and used when measuring currentfair value.

    If an entity is able to measure reliably the currentfair value of either the asset received or the asset given up, then the currentfair value of the asset given up is used to measure cost unless the currentfair value of the asset received is more clearly evident.

…

Subsequent Measurement

71. **An entity shall choose either the historical cost model in paragraph 73 or the current value model in paragraph 74 as its accounting policy. If an intangible asset is accounted for using the current value model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets held for their financial capacity.**

71A. When the measurement requirements are applied to intangible assets after recognition, an entity shall apply IPSAS 46.

…

Current Value Model

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. ~~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.**~~

74A. The measurement basis used to measure current value, either fair value or current operational value, shall be applied consistently to an intangible asset at each measurement date, unless the primary objective for which the entity holds an intangible asset has changed. In that case a change in the current value measurement basis, from fair value to current operational value, or vice versa, is appropriate.

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.**

…

78. The frequency of revaluations depends on the volatility of the current~~fair~~ values of the intangible assets being revalued. If the current~~fair~~ value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some intangible assets may experience significant and volatile movements in current~~fair~~ value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for intangible assets with only insignificant movements in current~~fair~~ value.

…

80. If an intangible asset in a class of revalued intangible assets held for its financial capacity cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and impairment losses.

…

82. The fact that an active market no longer exists for a revalued intangible asset measured at fair value may indicate that the asset may be impaired and that it needs to be tested in accordance with IPSAS 21 or IPSAS 26, as appropriate.

Disclosure

General

…

121. An entity shall also disclose:

(a) …

(b) …

(c) For intangible assets acquired through a non-exchange transaction and initially recognized at deemed cost~~fair value~~ (see paragraphs 42–43):

(i) The current~~fair~~ value initially recognized for these assets;

…

123A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For intangible assets that are measured at current~~fair~~ value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), or current operational value measurements estimated using significant unobservable inputs, the effect of the measurements on surplus or deficit or net assets/equity for the period.

…

123C. To meet the objectives in paragraph 123A, an entity shall disclose, at a minimum, the following information for each class of intangible assets (see paragraph 123D for information on determining appropriate classes of intangible assets) measured at current operational value or fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The current operational value or fair value or measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of intangible assets are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of intangible assets are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). For current operational value measurements, whether the current operational value measurements are estimated using observable or unobservable inputs;

(c) For ~~recurring and non-recurring~~ current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g., changing from a cost~~market~~ approach to a~~n~~ market~~income~~ approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity;

(d) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable

inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) ….

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or ~~recurring~~ fair value measurements estimated using unobservable inputs, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those intangible assets held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(f) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy or for current operational value measurements estimated using significant unobservable inputs:

(i) For all such measurements, a narrative description of the sensitivity of the current operational value or fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower current operational value or fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the current operational value or fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the current operational value or fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (c).

123D. For the purposes of current value measurement disclosures an entity may decide that a greater disaggregation of the classes of intangible assets (as determined in paragraph 71) is required on the basis of the following:

(a) The nature, characteristics and risks of the intangible assets; and

(b) The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the current~~fair~~ value is observable or unobservable.

The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of intangible assets for which disclosures about current operational value or fair value measurements should be provided requires judgment. A class of intangible assets will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IPSAS specifies the class for an intangible asset, an entity may use that class

in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.

123E. For each class of intangible assets ~~not~~ measured at historical cost~~fair value~~ in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 123C(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational~~fair~~ value measurements estimated using unobservable inputs, required by paragraph 123C(c). For such intangible assets, an entity does not need to provide the other disclosures required by this Standard.

…

Effective Date

…

132P. **Paragraphs 26, 28, 31, 43-45, 71, 74, 78, 80, 82, 121(c), 121(c)(i), 123A, 123C(a)-123C(g), and 123D-123E are amended, paragraphs 71A, 74A, 74B, and AG12-AG15 are added, heading above paragraph AG12 and subheading above paragraph AG13 are added by Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS 31.

…

Current Value Model

AG12. After recognition, an intangible asset whose current value can be measured in a faithfully representative manner may be carried at a revalued amount, being its:

(a) Current operational value; or

(b) Fair value;

at the date of the revaluation, less any subsequent accumulated amortization, and subsequent accumulated impairment losses.

Operational and Financial Capacity

AG13. The primary objective for which an entity holds an intangible asset is an important consideration when determining the current value measurement basis. An intangible asset held for its:

(a) Operational capacity supports the provision of services in future periods through physical and other resources. This requires information on the value of the intangible asset as it is currently used by the entity. An intangible asset held with the primary objective of service delivery is held for its operational capacity and is measured at current operational value; and

(b) Financial capacity provides an entity with the means to fund its activities. This requires information on the amount that would be received on the sale of the asset or in the revenue it generates in use. An intangible asset held with the primary objective of generating a financial return is held for its financial capacity and is measured at fair value.

AG14. In certain instances, an intangible asset may generate a financial return although it is primarily held for service delivery purposes. For example, a formula for a vaccine is primarily used to provide free vaccinations for a country's citizens, and a small amount is used for the vaccination of non-citizens for a profit.

AG15. In some cases, it may not be clear whether the intended primary objective of holding an intangible asset is for its operational or financial capacity. Judgment is needed. An entity develops criteria so that it can exercise judgment consistently in concluding whether an intangible asset is held primarily for its operational or financial capacity. When the intended primary objective of holding an intangible asset cannot be determined, given the overall objectives of most public sector entities, the presumption is that an intangible asset is held for its operational capacity.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 31.

…

Revision of IPSAS 31 as a result of the application of IPSAS 46, *Measurement*

…

BC15. IPSAS 46 introduced current operational value, a public sector current value measurement basis. This measurement basis is primarily applied when assets are held for their operational capacity. During the development of ED 77, *Measurement* ~~When IPSAS 46 was issued~~, the IPSASB had concluded intangible assets are held for their highest and best use and measurement is therefore consistent with fair value measurement. Current operational value was therefore not added as an available measurement basis to IPSAS 31.

BC16. In March 2023, the IPSASB decided to evaluate the applicability of current operational value across existing IPSAS, in the context of the recently approved current operational value principles in IPSAS 46 and the updated objective of measurement of assets in the Updated Conceptual Framework: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*.

Revisions of IPSAS 31 as a result of Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year].

Reasons for Revising IPSAS 31

BC17. In March 2023, the IPSASB commenced the evaluation of the applicability of current operational value across existing IPSAS, except for IPSAS 45, *Property, Plant, and Equipment* where the IPSASB had already decided current operational value was an applicable current value measurement basis for assets held for their operational capacity when the entity elects the current value model as its accounting policy choice.

BC18. The IPSASB developed current operational value in response to constituents' concerns received in the April 2019 Measurement Consultation Paper that fair value is difficult and inappropriate to apply to assets held for their operational capacity. Therefore, when considering which IPSAS should be in the scope of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, the IPSASB identified IPSAS that require measurement of assets at current values or non-historical cost measurement basis.

Scope of the Revisions

BC.19 The scope of the revisions to IPSAS 31 was limited to the evaluation of the applicability of current operational value for initial and subsequent measurement basis of intangible assets, to provide more relevant measurement information for intangible assets held for their operational capacity.

Evaluation of the applicability of current operational value

Measurement of Intangible Assets

BC20. The IPSASB discussed that intangible assets can be held for their operational capacity and that the current value measurement basis selected should reflect the intended use or the entity's reasons for holding the intangible asset.

BC21. The IPSASB noted that the tangible assets measurement issue resulting in the development of current operational value applies to intangible assets, because intangible assets can have an existing use that differs from its highest and best use. Additionally, the IPSASB agreed that the subsequent measurement methodology should not change depending on whether the asset is with or without physical substance, noting the importance of consistency of principles in the measurement of assets at current values when an entity chooses the current value model in IPSAS 16, *Investment Property*, IPSAS 31 or IPSAS 45, *Property, Plant, and Equipment*.

BC22. The IPSASB agreed that current operational value should be added to the current value model in IPSAS 31 because measuring intangible assets held for their operational capacity at current operational value, when the entity chooses the current value in IPSAS 31, will present more relevant measurement information to users in a manner that is useful in holding the entity to account, and for decision-making purposes.

Reference to an Active Market for Current Operational Value

BC23. The IPSASB discussed the requirement that fair value as a subsequent measurement in the current value model shall be determined by reference to an active market for intangible assets, which is aligned with IAS 38, *Intangible Assets*, and whether the same requirement should apply when an entity determines the current operational value of an intangible asset.

BC24. The IPSASB discussed that because internally generated assets are unique and specialized it may not be possible to assess reliably the price it would receive (i.e., exit price) from an internally generated intangible asset unless its fair value can be determined by reference to an active market. However, the IPSASB did not consider the same principle applies to the determination of current operational value because current operational value is an entity-specific entry value. Thus, it should be possible for an entity to reliably assess the amount it would pay for the remaining service potential of an internally generated intangible asset.

BC25. The IPSASB decided a similar requirement was not appropriate for current operational value of an intangible asset when an entity selects the current value model at subsequent measurement.

Initial Measurement of Intangible Assets Acquired through a Non-Exchange Transaction

BC26. For intangible assets acquired through a non-exchange transaction, the IPSASB agreed to align IPSAS 31 initial measurement (i.e., fair value) with IPSAS 46 guidance. The alignment of the guidance results in an entity initially measuring the intangible assets at deemed cost, meaning at current operational value or fair value depending on whether the entity holds the intangible assets for their operational capacity or financial capacity. The IPSASB noted that this will prevent a revaluation in the measurement of intangible assets after initial recognition, when an entity chooses the current value model at subsequent measurement, solely because of differences between current value measurement bases.

…

Comparison with IAS 38

IPSAS 31, *Intangible Assets* is drawn primarily from IAS 38 *Intangible Assets* (as at December 31, 2008). The main differences between IPSAS 31 and IAS 38 are as follows:

- …
- IAS 38 contains guidance on intangible assets acquired by way of a government grant. Paragraphs 31 of IPSAS 31 modifies this guidance to refer to intangible assets acquired through non-exchange transactions. IPSAS 31 states that where an intangible asset is acquired through a non-exchange transaction, the cost is its deemed cost~~fair value~~ as at the date it is acquired.
- …
- IPSAS 31 at initial measurement requires that an intangible asset acquired through a non-exchange transaction shall be measured at its deemed cost. IAS 38 does not have such a requirement.
- The subsequent measurement models in IPSAS 31 are historical cost and current value models, while in IAS 38 the models are cost and revaluation.
- IPSAS 31 for subsequent measurement has two measurement bases in the current value model – current operational value and fair value. IAS 38 revaluation model has only one measurement basis – fair value.

Amendments to IPSAS 46, *Measurement*

Paragraphs 23, B4-B6, and B9 are amended. Paragraph 56A is added. New text is underlined and deleted text is struck through.

…

Measurement

…

Subsequent Measurement

…

Measurement Bases

…

Current Operational Value Basis

23. Current operational value is an entry, entity-specific amount that the entity would pay for the remaining service potential of an asset in the least costly manner at the measurement date. Current operational value provides monetary information about assets, and related amortization, depreciation, etc., using information updated to reflect conditions at the measurement date. Current operational value therefore reflects changes in the values of assets since the previous measurement date. Similar to fair value and cost of fulfillment, current operational value is not dependent, even in part, on the transaction or event that gave rise to the asset.

…

Effective Date and Transition

Effective Date

…

56A. **Paragraphs 23, B4-B6, and B9 are amended by Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Appendix B

Current Operational Value

This Appendix is an integral part of IPSAS 46.

Measurement

…

The Amount an Entity would Pay

…

B4. The amount an entity would pay is:

(a) The price to acquire the identical, or a similar, asset ~~in an active market~~; or

(b) The costs that would be incurred to develop or produce the identical, or a similar, asset.

B5. ~~When an active market exists for~~ The price to acquire the identical, or a similar, asset, ~~current operational value uses this price as~~ is the amount an entity would pay for the asset in an active market. If an active market does not exist an entity will need to estimate current operational value using applicable measurement techniques.

B6. ~~When no active market exists, a reliable acquisition price for an identical, or similar, asset will generally not exist. Current operational value will then need to be~~ The costs that would be incurred to develop, or produce the identical, or a similar, asset is estimated ~~based on the costs to develop or produce the asset~~ using available price information. For example, many military assets, such as an aircraft, generally do not have active markets. Such assets often cannot be acquired as a finished product that is identical, or similar, to the aircraft under valuation. Measuring the cost of each part of the asset, such as the fuselage, engine, electronics etc., and the cost to assemble them into the same, or similar, aircraft, adjusted for the age, functionality, and condition, will generally be necessary to estimate the aircraft's current operational value.

…

The Least Costly Manner

B9. A current operational value measure assumes the amount an entity would pay for the remaining service potential of an asset at the measurement date is the least costly amount for the asset in an orderly transaction.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 46.

…

Current Operational Value (Appendix B)

…

Current Operational Value – Amount the Entity Would Pay

…

Revision of IPSAS 46 as a result of Part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*

The Amount the Entity Would Pay – Least Costly Manner

BC49A. During the development of ED 90 and the analysis of the responses received by the IPSASB for Exposure Draft 84, *Concessionary Leases and Right-of-Use Assets In-Kind (Amendments to IPSAS 43 and IPSAS 23)*, the IPSASB noted that 'least costly manner' could be interpreted to include concessionary elements, such as those received in concessionary leases.

BC49B. The IPSASB noted that the inclusion of a concessionary element when determining the current operational value of an asset would not provide users with information that is a faithful representation of the transaction. The IPSASB agreed that the 'least costly manner' should not be interpreted to include a concessionary element, because current operational value is a measurement basis that achieves the qualitative characteristics in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, such as faithfully presenting relevant valuation information about the asset to users.

BC49C. The IPSASB decided to clarify the application of the current operational value principle 'least costly manner'. The proposed amendments seek to ensure consistent application of current operational value.

…

Current Operational Value – Measurement Techniques

…

BC60. The IPSASB agreed the income approach is not an appropriate measurement technique when estimating the value of the asset when measured at current operational value. Given public sector assets often generate little to no cash flows, and generally cash flows are insufficient to cover operating expenses, the IPSASB concluded discounting future income streams would be impracticable. Furthermore, given the nature of current operational value, the income approach would not be applied in conjunction with another measurement technique because discounting future cash flows is not necessary given the market approach assumes pricing for the asset is available on the measurement date, and the cost approach assumes the production or development of the asset is immediate. However, the exclusion of the income approach as a measurement technique to estimate current operational value does not preclude the use of the

present value technique in the market approach or the cost approach when the time value of money is material.

Use of Current Operational Value throughout IPSAS

…

BC63. The IPSASB had identified other instances where current operational value may be appropriate throughout its literature. However, the IPSASB agreed any additional changes to measurement bases are best made through projects specific to the IPSAS in question to allow stakeholders to focus on the impact of the proposal. The IPSASB did not propose current operational value be added to any other IPSAS when this Standard was issued.

BC63A. After approving this Standard in March 2023, the IPSASB decided to evaluate the applicability of current operational value across existing IPSAS, in the context of the recently approved current operational value principles in this Standard and the updated objective of measurement of assets in the Updated Conceptual Framework: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*. See paragraphs BC92-BC103 for the analysis as a result of part 1 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*.

…

Disclosures

…

Improvements to Current Value Measurement Disclosures

BC88A. As part of the IPSASB's review of the applicability of current operational value in ED 90, the IPSASB reviewed the current value measurement disclosures and concluded that the term 'recurring or non-recurring' is not necessary when an IPSAS only requires recurring current value measurement of assets.

…

Analysis as a result of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*

Scope

BC92. The IPSASB developed current operational value in response to constituents' concerns received on the April 2019 Measurement Consultation Paper that fair value is difficult and inappropriate to apply to assets held for their operational capacity. Therefore, when considering which IPSAS should be in the scope of ED 90, the IPSASB identified IPSAS that require measurement of assets at current values or non-historical cost measurement basis.

BC93. The following IPSAS were in the scope of the ED 90:

(a) IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*;

(b) IPSAS 12, *Inventories*;

(c) IPSAS 16, *Investment Property;*

(d) IPSAS 21, *Impairment of Non-Cash-Generating Assets;*

(e) IPSAS 27, *Agriculture*;

(f) IPSAS 31, *Intangible Assets*;

(g) IPSAS 32, *Service Concession Arrangements: Grantor*;

(h) IPSAS 36, *Investments in Associates and Joint Ventures*;

(i) IPSAS 37, *Joint Arrangements*;

(j) IPSAS 40, *Public Sector Combinations*;

(k) IPSAS 41, *Financial Instruments*; and

(l) IPSAS 43, *Leases.*

Applicability of Current Operational Value

BC94. The IPSASB concluded current operational value is an applicable measurement basis:

(a) At initial measurement, for the determination of deemed cost, for inventories (IPSAS 12) and intangible assets (IPSAS 31) acquired through a non-exchange transaction;

(b) At subsequent measurement for inventories (IPSAS 12) held for their operational capacity;

(c) At subsequent measurement for intangible assets (IPSAS 31) held for their operational capacity, when the entity chooses the current value model as its accounting policy choice;

(d) At subsequent measurement for service concession assets (IPSAS 32) when the entity chooses the current value model as its accounting policy choice in accordance with IPSAS 31 or IPSAS 45; and

(e) At subsequent measurement for right-of-use assets (IPSAS 43) when the lessee chooses the current value model as its accounting policy choice in accordance with IPSAS 45.

BC95. The IPSASB concluded current operational value is applicable to these transactions based on the intended use or the entity's reasons for holding the asset (i.e., the assets are held for their operational capacity) and current operational value will present more relevant measurement information to users in a manner that is useful in holding the entity to account, and for decision-making purposes.

BC96. The IPSASB agreed that amendments are not required to IPSAS 32 and IPSAS 43 on the applicability of current operational value at subsequent measurement for service concession assets and right-of-use assets because these IPSAS cross reference to IPSAS 31 and IPSAS 45. Revisions of IPSAS 12 and IPSAS 31 as a result of ED 90 are proposed, further information on the amendments and the IPSASB's decision on the evaluation of current operational value can be found in IPSAS 12 and IPSAS 31.

BC97. The IPSASB concluded that current operational value is an applicable current value measurement for:

(a) Service concession assets subsequently measured in accordance with IPSAS 31 and IPSAS 45 because consistency in the subsequent measurement methodology is a sensible conclusion, as it ensures comparability.

(b) Right-of-use assets subsequently measured in accordance with IPSAS 45 because the subsequent measurement methodology should not change depending on whether the asset is owned or leased.

Applicability of Current Operational Value – Right of Use Assets

BC98. During the development of ED 90, the IPSASB evaluated the applicability of current operational value for right-of-use assets (i.e., assets in the scope of IPSAS 43) subsequently measured in accordance with IPSAS 45.

BC99. The IPSASB noted that the value of right-of-use assets is most commonly estimated by discounting the expected lease payments. Considering this, the IPSASB discussed whether current operational value could be used to subsequently measure right-of-use assets. The discussion resulted in the following two views:

(a) **View 1.** An entity should discount cash flows when applying the market approach and the cost approach to estimate the current operational value of an asset at subsequent measurement. For example, applying the market approach would require an entity to estimate the current operational value of a right-of-use asset by discounting observable lease payments of an identical or comparable right-of-use asset in an active market.

(b) **View 2.** The absence of the income approach to convert future amounts to a single current amount, results in limited practical application of current operational value to estimate the value of a right-of-use asset at subsequent measurement.

BC100. Having considered both views, the IPSASB concluded that the ability to discount cash flows is a concept that is not limited to one measurement technique and that current operational value is an applicable measurement basis for right-of-use assets subsequently measured in accordance with IPSAS 45 using the market approach or cost approach.

IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors

BC101. The IPSASB concluded in December 2023 to amend IPSAS 3 to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy.

Limited Scope Update of IPSAS 21, Impairment of Non-Cash-Generating Assets

BC102. The IPSASB concluded that the two branches of recoverable service amount in IPSAS 21 shall be current operational value and fair value less costs to sell and that restoration cost and service unit approaches should be removed from the updated IPSAS 21. These changes were made to enhance the usefulness of the measurement information provided and to align IPSAS 21 measurement principles with IPSAS 46 and updated Chapter 7 of the Conceptual Framework.

Definition of an Accounting Estimate (IAS 8 Updated)

BC103. The IPSASB decided that the revisions to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* included in *Definition of Accounting Estimates* (Amendments to IAS 8) issued by the IASB in February 2021 should be in the scope of Part 3 of ED 90. However, if the amendments to IAS 8 were adopted in IPSAS 3 verbatim, it would result in terminology inconsistencies in the IPSAS literature, specifically with the meaning of the term ‘measurement techniques’ introduced by IPSAS 46.

Implementation Guidance

…

Section D: Current Operational Value

…

D7. *Does the least costly amount an entity would pay for the remaining service potential of an asset include concessionary elements received by an entity when determining the current operational value of an asset?*

No. Current operational value measures the amount the entity would pay for the remaining service potential of the asset in an orderly transaction. The inclusion of a concessionary element when determining current operational value will incorporate a non-exchange element into the value and would not faithfully present relevant information to users of general purpose financial statements. For example, an entity that at subsequent measurement is determining the current value of a donated asset (i.e., building), initially recognized at deemed cost, will determine the current value of the asset using current operational value or fair value, which excludes the concessionary element from its measurement.

AMENDMENTS: PART 2 – LIMITED SCOPE UPDATE TO IPSAS 21, IMPAIRMENT OF NON-CASH GENERATING ASSETS

Amendments to IPSAS 21, *Impairment Non-Cash-Generating Assets*

Paragraphs 10A, 10A(b), 14, 35-40, 67(a)-67(b), and 77(e)-77(f) are amended. Paragraphs 41-42, and 44-50 are deleted. Paragraphs 39B, 39C, 39D, 43A, 77(f)(i)-77(f)(iii) and 82O, and the heading above paragraph 39B are added. New text is underlined and deleted text is struck through.

…

Scope

…

10A. However, this Standard applies to non-cash-generating assets that are carried at revalued amounts (i.e., fair value, or current operational value, at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses) in accordance with other IPSAS, such as the current value model in IPSAS 45, *Property, Plant, and Equipment* and the current value ~~revaluation~~ model in IPSAS 31, *Intangible Assets*.

(a) If the disposal costs are negligible, the recoverable service amount of the revalued non-cash-generating asset is necessarily close to, or greater than, its revalued amount. In this case, after the revaluation requirements have been applied, it is unlikely that the revalued non-cash-generating asset is impaired and recoverable service amount need not be estimated.

(b) If the disposal costs are not negligible, the fair value less costs to sell of the revalued non-cash-generating asset is necessarily less than its fair value. Therefore, the revalued non-cash-generating asset will be impaired if its ~~value in use~~ current operational value is less than its revalued amount. In this case, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the non-cash-generating asset may be impaired.

…

Definitions

14. **The following terms are used in this Standard with the meanings specified:**

~~An active market is a market in which all the following conditions exist:~~ [Deleted]

(a) ~~The items traded within the market are homogeneous;~~[Deleted]

(b) ~~Willing buyers and sellers can normally be found at any time; and~~ [Deleted]

(c) ~~Prices are available to the public.~~ [Deleted]

...

Fair value less costs to sell is the price that would be received to sell the asset in an orderly transaction between market participants ~~amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties~~, less the costs of disposal.

...

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its current operational value. ~~and its value in use.~~

…

~~Useful life~~ ~~is either:~~

~~(a) The period of time over which an asset is expected to be used by the entity.; or~~

~~(b) The number of production or similar units expected to be obtained from the asset by the entity.~~ [Deleted]

~~Value in use of a non-cash-generating asset~~ ~~is the present value of the asset's remaining service potential.~~ [Deleted]

…

The following term is defined and used in this Standard with the same meaning as in IPSAS 45*:*

(a) Useful life.

The following terms are defined and are used in this Standard with the same meaning as in IPSAS 46, *Measurement:*

(a) Active market;

(b) Current operational value; and

(c) Fair Value.

…

Measuring Recoverable Service Amount

35. This Standard defines recoverable service amount as the higher of an asset's fair value, less costs to sell, and ~~its value in use~~ current operational value. Paragraphs 36–50 set out the basis for measuring recoverable service amount.

36. It is not always necessary to determine both an asset's fair value less costs to sell and its current operational value~~. and its value in use~~. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired, and it is not necessary to estimate the other amount.

37. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. ~~Paragraph 42 sets out possible alternative bases for estimating fair value less costs to sell when an active market for the asset does not exist.~~ IPSAS 46 identifies three measurement techniques: the cost approach, market approach, and income approach. Appendix D Fair Value of IPSAS 46 provides guidance on these measurement techniques and their application. However, sometimes it will not be possible to determine fair value less costs to sell, because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction~~ arm's length transaction between knowledgeable and willing parties~~. In this case, the entity may use the asset's ~~value in use~~ current operational value as its recoverable service amount.

38. If there is no reason to believe that an asset's ~~value in use~~ current operational value materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell may be used as its recoverable service amount. ~~This will often be the case for an asset that is held for disposal. This is because the value in use of an asset held for disposal will consist mainly of the net disposal~~

~~proceeds.~~ However, for many public sector non-cash-generating assets that are held on an ongoing basis to provide ~~specialized~~ services or public goods to the community, the ~~value in use~~ current operational value of the asset is likely to be greater than its fair value less costs to sell.

39. In some cases, estimates, averages, and computational short cuts may provide reasonable approximations of the detailed computations illustrated in this Standard for determining fair value less costs to sell or ~~value in use~~ current operational value.

…

Current Operational Value

39B. Current operational value is the amount that an entity would pay for the remaining service potential of an asset in the least costly manner based on conditions at the measurement date, regardless of whether that price is directly observable or not. Appendix B Current Operational Value of IPSAS 46 provides authoritative guidance on current operational value, including the components of the definition and the measurement techniques to estimate current operational value.

39C. The current operational value of an asset that was previously operational and no longer provides service potential at the measurement date is zero. However, in such circumstances, the fair value less costs to sell of the asset may exceed zero when the asset, or parts of the asset, continue to hold sales value.

39D. Current operational value is likely to be relevant to the determination of recoverable service amount for many assets held for the delivery of services, especially assets which are specialized, and where there are restrictions on an alternative use to that for which the asset is currently deployed.

Fair Value Less Costs to Sell

40. Appendix D of IPSAS 46 provides authoritative guidance on fair value. The best evidence of an asset's fair value less costs to sell is ~~a~~an observable price in an active market ~~a binding sale agreement in an arm's length transaction~~, adjusted for incremental costs that would be directly attributable to the disposal of the asset. Appendix D of IPSAS 46 discusses measurement techniques to determine fair value indirectly and the fair value hierarchy that categorizes into three levels the inputs to measurement techniques used to measure fair value.

41. ~~If there is no binding sale agreement, but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal. The appropriate market price is usually the current bid price. When current bid prices are unavailable, the price of the most recent transaction may provide a basis from which to estimate fair value less costs to sell, provided that there has not been a significant change in economic circumstances between the transaction date and the date as at which the estimate is made.~~ [Deleted].

42. ~~If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management or the governing body is compelled to sell immediately.~~ [Deleted]

…

~~Value in Use~~ [Deleted]

44. ~~This Standard defines the value in use of a non-cash-generating asset as the present value of the asset's remaining service potential. Value in use in this Standard refers to value in use of a non-cash-generating asset, unless otherwise specified. The present value of the remaining service potential of the asset is determined using any one of the approaches identified in paragraphs 45–49, as appropriate.~~ [Deleted]

~~Depreciated Replacement Cost Approach~~ [Deleted]

45. ~~Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.~~ [Deleted]

46. ~~The replacement cost and reproduction cost of an asset are determined on an optimized basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features that are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimized basis thus reflects the service potential required of the asset.~~ [Deleted]

47. ~~In certain cases, standby or surplus capacity is held for safety or other reasons. This arises from the need to ensure that adequate service capacity is available in the particular circumstances of the entity. For example, the fire department needs to have fire engines on standby to deliver services in emergencies. Such surplus or standby capacity is part of the required service potential of the asset.~~ [Deleted]

~~Restoration Cost Approach~~ [Deleted]

48. ~~Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower. Paragraphs 45 and 47 include additional guidance on determining the replacement cost or reproduction cost of an asset.~~ [Deleted]

~~Service Units Approach~~ [Deleted]

49. ~~Under this approach, the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.~~ [Deleted]

~~Application of Approaches~~ [Deleted]

50. ~~The choice of the most appropriate approach to measuring value in use depends on the availability of data and the nature of the impairment:~~ [Deleted]

    (a) ~~Impairments identified from significant long-term changes in the technological, legal, or government policy environment are generally measurable using a depreciated replacement cost approach or a service units approach, when appropriate;~~ [Deleted]

    (b) ~~Impairments identified from a significant long-term change in the extent or manner of use, including that identified from the cessation or near cessation of demand, are generally measurable using a depreciated replacement cost or a service units approach, when appropriate; and~~ [Deleted]

    (c) ~~Impairments identified from physical damage are generally measurable using a restoration cost approach or a depreciated replacement cost approach, when appropriate.~~ [Deleted]

…

Reversing an Impairment Loss

…

67. A reversal of an impairment loss reflects an increase in the estimated recoverable service amount of an asset, either from use or from sale, since the date when an entity last recognized an impairment loss for that asset. Paragraph 77 requires an entity to identify the change in estimates that causes the increase in recoverable service amount. Examples of changes in estimates include:

    (a) A change in the basis for recoverable service amount (i.e., whether recoverable service amount is based on fair value less costs to sell or current operational value ~~value in use~~);

    (b) If recoverable service amount was based on ~~value in use~~ current operational value, a change in estimate of the components of current operational value ~~value in use~~; or

…

Disclosure

…

77. **An entity shall disclose the following for each material impairment loss recognized or reversed during the period:**

    (a) …

    (e) Whether the recoverable service amount of the asset is its fair value less costs to sell or its ~~value in use~~ current operational value;

    (f) If the recoverable service amount is fair value less costs to sell, ~~the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market)~~ the entity shall disclose the following information:

        (i) The level of the fair value hierarchy (see IPSAS 46) within which the fair value measurement of the asset is categorized in its entirety (without taking into account whether 'costs to sell' are observable;

(ii) For fair value measurements categorized with Level 2 and Level 3 of the fair value hierarchy, a description of the measurement technique(s) used to measure fair value less costs to sell. If there has been a change in measurement technique, the entity shall disclose that change and the reason(s) for making it; and

(iii) For fair value measurements categorized with Level 2 and Level 3 of the fair value hierarchy, each key assumption on which measurement has based its determination of fair value less costs to sell. Key assumptions are those to which the asset's recoverable service amount is most sensitive.

(g) If the recoverable service amount is ~~value in use~~ current operational value the measurement technique ~~approach~~ used to determine ~~value in use~~ current operational value.

…

Effective Date and Transition

Effective Date

…

82O. **Paragraphs 10A, 10A(b), 14, 35-40, 67(a)-67(b), and 77(e)-77(f) are amended, paragraphs 41-42, and 44-50 are deleted, and paragraphs 39B, 39C, 39D and 77(f)(i)-77(f)(iii) are added by Part 2 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Amendments to Other IPSAS

Amendments to IPSAS 46, Measurement

Paragraph 4(c) is amended and 56B is added. New text is underlined and deleted text is struck through.

…

Scope

…

4. The measurement requirements of this Standard do not apply to the following:

   …

   (c) Measurements that have some similarities to the measurement bases in this Standard but are not those measurement bases, such as net realizable value in IPSAS 12, *Inventories* or value in use in ~~IPSAS 21, *Impairment of Non-Cash-Generating Assets* and~~ IPSAS 26, *Impairment of Cash-Generating Assets* (but this Standard is applied in measuring fair value as required in IPSAS ~~21 and~~ 26).

…

Effective Date and Transition

Effective Date

…

56B. **Paragraph 4(c) is amended by Part 2 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 21.

…

Updating of IPSAS 21 as a result of ED 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement

Reasons for Updating IPSAS 21

BC29. The IPSASB decided to update IPSAS 21 because of:

(a) The publication of IPSAS 46, *Measurement*, in May 2023, in particular the adoption of current operational value as a public sector specific current value measurement basis for assets held for operational capacity and the revised definition of, and guidance on, fair value; and

(b) Reservations expressed about the term, and description of, "value in use of a non-cash-generating asset" during the updating of Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*, in *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

Scope of Limited Scope Update

BC30. Consistent with the above reasons, the scope of the update was limited to the definition, and branches, of, recoverable service amount — specifically whether current operational value should be directly or indirectly adopted as a branch of recoverable service amount and whether fair value less costs to sell should be retained as a branch of recoverable service amount. Therefore, the update did not consider other aspects of impairment including:

(a) Indications of impairment;

(b) Recognizing and measuring impairment losses;

(c) Reversals of impairment losses; and

(d) The redesignation of assets from cash-generating assets to non-cash-generating assets or from non-cash-generating assets to cash-generating assets.

Retention of fair value less costs to sell

BC31. The IPSASB considered whether fair value less costs to sell should be retained as a branch of recoverable service amount following the revised definition of, and guidance on, fair value in IPSAS 46. In the definition of 'fair value' in IPSAS 17, *Property, Plant, and Equipment,* the predecessor of IPSAS 45, *Property, Plant, and Equipment,* fair value could be applied to assets held for operational capacity through application of depreciated replacement cost, restoration cost, and the service units approach. Conversely, in IPSAS 46, the value premise for fair value is based on a highest and best use assumption. The definition of fair value in IPSAS 46 is therefore an exit value, which reflects the perspective of a market participant. While the revised measurement basis is appropriate for the assessment of impairments for cash-generating assets held for financial capacity, it was less clear whether it is relevant as a branch of recoverable service amount for assets held for operational capacity.

BC32. The IPSASB acknowledged concerns that the determination of fair value less costs to sell could impose unnecessary costs on preparers. However, in most cases it will be clear whether current operational value is higher than the carrying amount, and there will be no need to determine fair value less costs to sell.

BC33. The IPSASB analyzed this issue by considering the example of an office building measured at historical cost, which is used to provide educational support services. A change in the legislative environment had led to a decline in demand for such services. No decision has been made to dispose of the office building, so the building is not within the scope of IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*. Individual floors of the building cannot be leased for security reasons, so the building is treated as a single unit of account. There is an active market for such office buildings.

BC34. Despite the fact that there is a permanent decline in demand for the services provided by the asset it is clear that, in light of the buoyant commercial property market, the non-specialized nature of the asset, and the fact that there are no legal restrictions on the use of the asset, fair value less costs to sell is higher than both carrying amount and current operational value. Therefore, there is no impairment loss. A failure to determine fair value less costs to sell in these and similar circumstances may lead to recognition of an impairment loss, when the reality is that there is no loss. Recognition of such a loss will have an adverse impact on the faithful representation of financial position and financial performance.

BC35. The IPSASB therefore concluded that fair value less costs to sell may be the determinant of recoverable service amount when an asset is non-specialized and there are no restrictions on its use, so that a market participant can deploy the asset for its highest and best use. Fair value less costs to sell may also be relevant where, as a result of an impairment, a previously operative asset does not provide service potential at the measurement date but has a scrap value. Consequently, the IPSASB decided to retain fair value less costs to sell as a branch of recoverable service amount in the updated IPSAS 21.

Value in use of a non-cash-generating asset and alternatives

Introduction

BC36. The IPSASB considered three options for the retention or replacement of value in use of a non-cash-generating asset as a branch of recoverable service amount:

(a) Retain the definition of “value in use of a non-cash-generating asset”, the methods of determining the present value of an asset’s remaining service potential, and the accompanying guidance and illustrative examples.

(b) Use current operational value as a surrogate for “value in use of a non-cash-generating asset” as a branch of recoverable service amount.

(c) Adopt current operational value as a branch of recoverable service amount in its own right.

Approach (a): Retention of value in use of a non-cash-generating asset

BC37. Approach (a) would retain the definitions, methods, and guidance that have been in IPSASB’s standards-level literature since the publication of IPSAS 21 in 2004.

BC38. IPSASB considered that the term “present value” in the definition of “value in use of a non-cash-generating asset” implies a discounted cash flow approach. IPSAS 21 identifies and provides

guidance on, three approaches to determining value in use of a non-cash-generating asset — depreciated replacement cost, restoration cost and the service units approach. These approaches do not involve risk adjustments and discounting cash flows to a present value. Therefore, "value in use" is not being used in the same way as in IPSAS 26 and IAS 36.

BC39. The current requirements and guidance in IPSAS 21 are also inconsistent with both IPSAS 46 and the Conceptual Framework. IPSAS 46 does not include depreciated replacement cost as a measurement technique. Unlike IPSAS 17, and IPSAS 21, IPSAS 46 does not include restoration cost or the service units approach as methods of estimating fair value for specialized items of property, plant, and equipment. The Conceptual Framework did not retain replacement cost as a measurement basis in the recently updated Chapter 7, because of the introduction of current operational value and the similarity of depreciated replacement cost and the cost approach to current operational value.

BC40. Therefore, the IPSASB rejected an approach that does not use value in use consistently with IPSASB and IASB literature and includes techniques that are no longer in IPSASB's literature on measurement.

Approach (b) Adopting current operational value as a surrogate for value in use

BC41. Unlike fair value, current operational value reflects the value of an asset in its existing use rather than the asset's highest and best use. In assessing the remaining service potential of an asset, current operational value takes into account the current age, functionality, and condition of the asset, and reflects factors such as physical, functional, and economic obsolescence.

BC42. The IPSASB considered that, because current operational value reflects the amount that an entity would pay for the remaining service potential of an asset in its existing condition, its existing use, and its existing location it reflects the value of the asset to the entity. Consequently, the IPSASB concluded that current operational value is appropriate for determining an impairment loss (or a reversal of an impairment loss) for a non-cash-generating asset held for its operational capacity.

BC43. However, the IPSASB did not support Approach (b) because it would retain the definition of "value in use of a non-cash-generating asset". As for Approach (a) this is inconsistent with the definition of "value in use" in IPSAS 26 and IAS 36.

Approach (c) Adopt current operational value as a branch of recoverable service amount in its own right.

BC44. In Approach (c) the branches of recoverable service amount are current operational value and fair value less costs to sell. Replacing value in use of a non-cash-generating asset with current operational value updates the terminology in IPSAS 21 to reflect the measurement methodology in IPSAS 46. The revised definition of recoverable service amount is consistent with the main principle of impairment testing that the carrying amount of an asset should be written down to the higher of:

(a) The value of the asset to the entity in operation (i.e., current operational value); or

(b) The amount for which the asset could be sold (i.e., fair value).

BC45. Where an entity has selected the current value model for subsequent measurement it will already be presenting assets held for operational capacity at current operational value in accordance with IPSAS 45. The use of current operational value as a branch of recoverable service amount will therefore have cost-benefit advantages for entities that have adopted the current value model.

Implications of adoption of current operational value for entities that have adopted the current value model for measurement subsequent to recognition

BC46. The IPSASB further considered the implications of the adoption of current operational value as a branch of recoverable service amount for entities that apply the current value model for measurement subsequent to recognition. In 2016, the scope of IPSAS 21 was broadened to bring property, plant. and equipment and intangible assets that are measured under the revaluation model (the predecessor of the current value model in IPSAS 46) within the scope of IPSAS 21 and IPSAS 26.

BC47. Many entities that apply the current value model for measurement subsequent to recognition, will revalue assets on a rolling program over a specified period. IPSAS 45, *Property, Plant. and Equipment*, requires that "revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date." The IPSASB therefore concluded that the main implication of the adoption of current operational value as a branch of recoverable service amount is that entities on the current value model may have to bring forward revaluations where there is an indication that an asset might be impaired. As noted in paragraph BC20E, an impairment loss or reversal of an impairment loss of an asset does not necessitate the revaluation of the entire class of assets to which that item belongs.

Impact of impairments due to physical damage on current operational value of an asset

BC48. The IPSASB considered the impact of physical damage on an asset that is held for its service potential and is not operable at the measurement date. The IPSASB acknowledged that if, and when, an asset is restored to its pre-impaired state, it may be able to resume the provision of services. However, following the impairment, the IPSASB is of the view that measurement of current operational value should reflect the physical condition of the asset at the measurement date. If, due to its physical condition, the asset is inoperable, its current operational value is zero.

BC49. In some cases an asset that is incapable of delivering services will have a disposal value. In such cases, recoverable service amount will be represented by fair value less costs to sell.

…

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 21.

…

Internal Sources of Information

(c) **Evidence is Available of Physical Damage of an Asset.**

…

IG4A. Following an indication of evidence of physical damage to an asset the measurement of current operational value reflects the physical condition of the asset at the measurement date. If, due to its physical condition, the asset is inoperable its current operational value is zero. In some cases, an asset that is incapable of delivering services will have a disposal value. In such cases recoverable service amount will be represented by fair value less costs to sell.

IG4B. The reporting entity may be able to restore the impaired asset to its pre-impaired state, so that it will be able to resume the provision of services. In such cases, the reporting entity considers the effect of such an event in the reporting period in which the restoration work takes place.

…

Current Operational Value and Impairment

IG8. Current operational value is the amount that an entity would pay for the remaining service potential of an asset in the least costly manner based on conditions at the measurement date. In this ED current operational value is one of two branches of recoverable service amount; fair value less costs to sell is the other branch.

IG9. Current operational value is an entity-specific value that represents an entry price. As indicated in paragraph 39B of this Standard, Appendix B of IPSAS 46 provides authoritative guidance on current operational value. This guidance is relevant to the application of current operational value as a branch of recoverable service amount and should be referred to when determining recoverable service amount.

…

Illustrative Examples

These examples accompany, but are not part of, IPSAS 21.

~~Measurement of Impairment Loss~~ [Deleted]

~~Note: In the following examples, it is assumed that the fair value less costs to sell of the asset tested for impairment is less than its value in use or is not determinable, unless otherwise indicated. Therefore, the asset's recoverable service amount is equal to its value in use. In these examples, the straight-line method of depreciation is used.~~

~~Depreciated Replacement Cost Approach~~ [Deleted]

~~Significant Long-term Change with Adverse Effect on the Entity in the Technological Environment—Underutilized Mainframe Computer~~ [Deleted]

IE1. ~~In 1999, the City of Kermann purchased a new mainframe computer at a cost of CU10 million.[3] Kermann estimated that the useful life of the computer would be seven years, and that on average 80 percent of central processing unit (CPU) capacity would be used by the various departments. A buffer of excess CPU time of 20 percent was expected and needed to accommodate scheduling jobs to meet peak period deadlines. Within a few months after acquisition, CPU usage reached 80 percent, but declined to 20 percent in 2003 because many applications of the departments were converted to run on desktop computers or servers. A computer is available on the market at a price of CU500,000 that can provide the remaining service potential of the mainframe computer using the remaining applications.~~ [Deleted]

~~Footnote 3: In these examples monetary amounts are denominated in "currency units" (CU).~~

~~Evaluation of Impairment~~ [Deleted]

IE2. ~~The indication of impairment is the significant long-term change in the technological environment resulting in conversion of applications from the mainframe to other platforms, and therefore decreased usage of the mainframe computer. (Alternatively it can be argued that a significant decline in the extent of use of the mainframe indicates impairment.) Impairment loss is determined using the depreciated replacement cost approach as follows:~~ [Deleted]

~~a Acquisition cost, 1999~~	**~~10,000,000~~**
~~Accumulated depreciation, 2003 (a × 4 ÷ 7)~~	**~~5,714,286~~**
~~b Carrying amount, 2003~~	**~~4,285,714~~**
~~c Replacement cost~~	**~~500,000~~**
~~Accumulated depreciation (c × 4 ÷ 7)~~	**~~285,714~~**
~~d Recoverable Service Amount~~	**~~214,286~~**
~~Impairment loss (b - d)~~	**~~4,071,428~~**

Near Cessation in Demand for the Services Provided by a Non-cash-Generating Asset—Underutilized Mainframe Software Application [Deleted]

IE3. In 1999, the City of Kermann purchased a software license for an application for its new mainframe computer for CU350,000. Kermann estimated that the useful life of the software would be seven years, and that it would receive economic benefits and service potential from the software on a straight-line basis over the life of the software. By 2003, usage of the application had declined to 15 percent of its originally anticipated demand. A license for a software application to replace the remaining service potential of the impaired software application costs CU70,000. [Deleted]

Evaluation of Impairment [Deleted]

IE4. The indication of impairment is technological change, brought about by the loss of mainframe computer capacity. [Deleted]

a	**Acquisition cost, 1999**	**350,000**
	Accumulated depreciation, 2003 (a × 4 ÷ 7)	**200,000**
b	**Carrying amount, 2003**	**150,000**
c	**Replacement cost**	**70,000**
	Accumulated amortization (c × 4 ÷ 7)	**40,000**
d	**Recoverable Service Amount**	**30,000**
	Impairment loss (b - d)	**120,000**

Significant Long-term Change with Adverse Effect on the Entity in the Manner of Use—School Used as Warehouse [Deleted]

IE5. In 1997, Lunden School District constructed an elementary school at a cost of CU10 million. The estimated useful life of the school is fifty years. In 2003, the school is closed because enrollments in the district declined unexpectedly due to a population shift caused by the bankruptcy of a major employer in the area. The school is converted to use as a storage warehouse, and Lunden School District has no expectation that enrollments will increase in the future such that the building would be reopened for use as a school. The current replacement cost for a warehouse with the same storage capacity as the school is CU4.2 million. [Deleted]

Evaluation of Impairment [Deleted]

IE6. Impairment is indicated, because the purpose for which the building is used has changed significantly from a place for instructing students to a storage facility, and this is not anticipated to change for the foreseeable future. An impairment loss using depreciated replacement cost approach would be determined as follows: [Deleted]

a	**Historical cost, 1997**	**10,000,000**
	Accumulated depreciation, 2003 (a × 6 ÷ 50)	**1,200,000**
b	**Carrying amount, 2003**	**8,800,000**
c	**Replacement cost of a storage facility of similar capacity**	**4,200,000**

	~~**Accumulated depreciation (c × 6 ÷ 50)**~~	~~**504,000**~~
~~**d**~~	~~**Recoverable Service Amount**~~	~~**3,696,000**~~
	~~**Impairment loss (b - d)**~~	~~**5,104,000**~~

~~*Significant Long-term Change with Adverse Effect on the Entity in the Extent of Use—School Partially Closed Due to Decline in Enrollment*~~ *[Deleted]*

IE7. ~~In 1983, the Lutton School District constructed a school at the cost of CU2.5 million. The entity estimated the school would be used for 40 years. In 2003, the enrollment declined from 1000 to 200 students as the result of population shift caused by the bankruptcy of a major employer in the area. The management decided to close the top two floors of the three-story school building. Lutton School District has no expectation that enrollments will increase in the future such that the upper stories would be reopened. The current replacement cost of the one-story school is estimated at CU1.3 million.~~ [Deleted]

~~**Evaluation of Impairment**~~ **[Deleted]**

IE8. ~~Impairment is indicated because the extent of use of the school has changed from three floors to one floor as the result of a reduction in the number of students from 1000 to 200 students. The reduction in the extent of use is significant, and the enrollment is expected to remain at the reduced level for the foreseeable future. Impairment loss using a depreciated replacement cost approach would be determined as follows:~~ [Deleted]

~~**a**~~	~~**Acquisition cost, 1983**~~	~~**2,500,000**~~
	~~**Accumulated depreciation, 2003 (a × 20 ÷ 40)**~~	~~**1,250,000**~~
~~**b**~~	~~**Carrying amount, 2003**~~	~~**1,250,000**~~
~~**c**~~	~~**Replacement cost**~~	~~**1,300,000**~~
	~~**Accumulated depreciation (c × 20 ÷ 40)**~~	~~**650,000**~~
~~**d**~~	~~**Recoverable Service Amount**~~	~~**650,000**~~
	~~**Impairment loss (b - d)**~~	~~**600,000**~~

~~**Restoration Cost Approach**~~ **[Deleted]**

~~*Physical Damage—School Bus Damaged in Road*~~ *[Deleted]*

IE9. ~~In 1998, North District Primary School acquired a bus at the cost of CU200,000 to help students from a nearby village to commute free of charge. The school estimated a useful life of 10 years for the bus. In 2003, the bus sustained damage in a road accident, requiring CU40,000 to be restored to a usable condition. The restoration will not affect the useful life of the asset. The cost of a new bus to deliver a similar service is CU250,000 in 2003.~~ [Deleted]

~~Evaluation of Impairment~~ [Deleted]

IE10. ~~Impairment is indicated because the bus has sustained physical damage in the road accident. Impairment loss using the restoration cost approach would be determined as follows:~~ [Deleted]

~~a Acquisition cost, 1998~~	**~~200,000~~**
~~Accumulated depreciation, 2003 (a × 5 ÷ 10)~~	**~~100,000~~**
~~b Carrying amount, 2003~~	**~~100,000~~**
~~c Replacement cost~~	**~~250,000~~**
~~Accumulated depreciation (c × 5 ÷ 10)~~	**~~125,000~~**
~~d Depreciated replacement cost (undamaged state)~~	**~~125,000~~**
~~Less: restoration cost~~	**~~40,000~~**
~~e Recoverable Service Amount~~	**~~85,000~~**
~~Impairment loss (b - e)~~	**~~15,000~~**

~~Physical Damage—Building damaged by fire~~ [Deleted]

IE11. ~~In 1984, the City of Moorland built an office building at a cost of CU50 million. The building was expected to provide service for 40 years. In 2003, after 19 years of use, fire caused severe structural problems. Due to safety reasons, the office building is closed, and structural repairs costing CU35.5 million are to be made to restore the office building to an occupiable condition. The replacement cost of a new office building is CU100 million.~~ [Deleted]

~~Evaluation of Impairment~~ [Deleted]

IE12. ~~Impairment is indicated because the office building has sustained physical damage due to the fire.~~ **~~Impairment~~** ~~loss using a restoration cost approach would be determined as follows:~~ [Deleted]

~~a Acquisition cost, 1984~~	~~50,000,000~~
~~Accumulated depreciation, 2003 (a × 19 ÷ 40)~~	~~23,750,000~~
~~b Carrying amount, 2003~~	~~26,250,000~~
~~c Replacement cost (of a new building)~~	~~100,000,000~~
~~d Accumulated depreciation (c × 19 ÷ 40)~~	~~47,500,000~~
~~Depreciated replacement cost (undamaged)~~	~~52,500,000~~
~~Less: restoration cost~~	~~35,500,000~~
~~e Recoverable Service Amount~~	~~17,000,000~~
~~Impairment loss (b - e)~~	~~9,250,000~~

~~Service Units Approach~~ [Deleted]

~~Significant Long-term Change with Adverse Effect on the Entity in the Extent of Use – High-rise Building Partially Unoccupied for the Foreseeable Future~~ [Deleted]

IE13. ~~In 1988, Ornong City Council constructed a 20-story office building for use by the Council in downtown Ornong at the cost of CU80 million. The building was expected to have a useful life of 40 years. In 2003, National Safety Regulations required that the top four stories of high rise buildings should be left unoccupied for the foreseeable future. The building has a fair value less costs to sell of CU45 million in 2003 after regulations came into force. The current replacement cost of a similar 20-story building is CU85 million.~~ [Deleted]

~~Evaluation of Impairment~~ [Deleted]

IE14. ~~Impairment is indicated because the extent of use of the office building has changed from 20 floors to 16 floors as the result of new National Safety Regulations. The reduction in the extent of use is significant, and the occupation of the building is expected to remain at the reduced level (16 floors) for the foreseeable future. Impairment loss using the service units approach would be determined as follows:~~ [Deleted]

~~**a**~~	~~**Acquisition cost, 1988**~~	~~**80,000,000**~~
	~~**Accumulated depreciation, 2003 (a × 15 ÷ 40)**~~	~~**30,000,000**~~
~~**b**~~	~~**Carrying amount, 2003**~~	~~**50,000,000**~~
~~**c**~~	~~**Replacement cost (20-story building)**~~	~~**85,000,000**~~
	~~**Accumulated depreciation (c × 15 ÷ 40)**~~	~~**31,875,000**~~
~~**d**~~	~~**Depreciated replacement cost before adjustment for remaining service units**~~	~~**53,125,000**~~
~~**e**~~	~~**Value in Use of the building after the regulation came into force (d × 16 ÷ 20)**~~	~~**42,500,000**~~
~~**f**~~	~~**Fair value less costs to sell of the building after regulation came into force**~~	~~**45,000,000**~~
~~**g**~~	~~**Recoverable service amount (higher of e and f)**~~	~~**45,000,000**~~
	~~**Impairment loss (b - g)**~~	~~**5,000,000**~~

~~Evidence from Internal Reporting – Higher Cost of Operating the Printing Machine~~ [Deleted]

IE15. ~~In 1998, Country X Education Department purchased a new printing machine at a cost of CU40 million. The Department estimated that the useful life of the machine would be 40 million copies of books to be printed over 10 years for use by elementary school students. In 2003, it was reported that an automated feature of the machine's function does not operate as expected, resulting in a 25 percent reduction in the machine's annual output level over the remaining 5 years of the useful life of the asset. The replacement cost of a new printing machine is CU45 million in 2003.~~ [Deleted]

~~**Evaluation of Impairment**~~ **[Deleted]**

IE16. ~~Impairment is indicated by evidence from internal reporting that the service performance of the printing machine is worse than expected. Circumstances suggest that the decline in the service potential of the asset is significant and of a long-term nature. Impairment loss using a service units approach is determined as follows:~~ [Deleted]

~~**a**~~	~~**Acquisition cost, 1998**~~	~~**40,000,000**~~
	~~**Accumulated depreciation (a × 5 ÷ 10)**~~	~~**20,000,000**~~
~~**b**~~	~~**Carrying amount, 2003**~~	~~**20,000,000**~~
~~**c**~~	~~**Replacement cost**~~	~~**45,000,000**~~
	~~**Accumulated depreciation (c × 5 ÷ 10)**~~	~~**22,500,000**~~
~~**d**~~	~~**Depreciated replacement cost before adjustment for remaining service units**~~	~~**22,500,000**~~
~~**e**~~	~~**Recoverable Service Amount (d × 75%)**~~	~~**16,875,000**~~
	~~**Impairment loss (b - e)**~~	~~**3,125,000**~~

Measurement of Impairment Losses

Introduction and Assumptions

IE17. The following examples illustrate the measurement of impairment losses following the identification of the indications of impairment in paragraph 27. The indications of impairment apply to assets on both the historical cost model and the current value model for measurement subsequent to recognition. The examples cover both models.

IE18. In these examples:

(a) The straight-line method of depreciation is applied. For simplicity, there is no change to useful lives.

(b) Revaluations under the current value model are assumed to have been made with sufficient regularity for the carrying amount to not differ materially from that which would be determined using the current value at the reporting date.

Indication of Impairment (a): Cessation, or near cessation, of the demand or need for services provided by the asset—*Near complete cessation in demand for incinerator following closure of general hospital.*

Fact Pattern

IE19. Swansway Health Authority (HA) operates an incinerator for medical waste for medical facilities in its geographical area. The incinerator was constructed in 2017 at a cost of CU600,000, with an estimated useful life of 30 years. The main general hospital accounts for 95% of the waste processed by the incinerator.

IE20. In 2023 there is a national reorganization of secondary healthcare. This reorganization involves the closure of the general hospital, apart from accident and emergency services, and the centralization of general surgery and medical specialties in the new general hospital of neighboring Goosedown

HA. Following this reorganization, there is a near complete cessation of demand for the incinerator. Swansway HA does not think that there is any prospect of demand returning to previous levels, as there are no alternative users of the incinerator.

IE21. Swansway HA has adopted the historical cost model for measurement subsequent to recognition.

Analysis

IE22. It is estimated that a smaller incinerator providing 5%-10% of the current capacity can be acquired for CU320,000, including necessary site-specific adaptations. There is a very limited market for incinerators of the type operated by Swansway HA and current operational value, using the cost approach, is therefore the determinant of recoverable service amount. There is no need to estimate fair value less costs to sell.

		CU000
a.	Construction cost, 2017	600
	Accumulated depreciation (a × 6 ÷ 30)	120
b.	Carrying amount, 2023	480
c.	Recoverable Service Amount (Current Operational Value of incinerator with 5%-10% of current incinerator's capacity)	320
d.	Impairment loss (b-c)	160

IE23. The carrying amount of the incinerator is reduced to CU320,000. The impairment loss of CU160,000 is taken to surplus/deficit.

Indication of impairment (b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal, or government policy environment in which the entity operates—*Reduction in demand for educational support services following legislative change.*

Fact Pattern

IE24. In 2004 Mullhall School District (SD) acquired an office building with four floors in a central city location in which to house educational support services for CU700,000. The building had an estimated useful life of 40 years. In 2020 there was a legislative change giving schools more budget flexibility and greater discretion over the procurement of these services. Many sought alternative provision leading to a decline in demand for services provided by Mullhal SD.

IE25. By 2023 demand for education support services was about 75% of the 2020 level. Mullhall SD does not foresee demand returning to previous levels. Mullhal SD estimates that the services can be provided in a building with about 25% of the floor area of the current building. Mullhal SD has looked into the possibility of leasing out three floors of the building but decides that because the building needs to be secure for students and their families, this is not feasible. Mullhal SD therefore treats the building as a single unit of account.

IE26. Mullhall SD has adopted the current value model for measurement subsequent to recognition. Mullhall SD has a rolling program of revaluations. The next revaluation of the building is scheduled for 2025. Because of the indication of impairment, the revaluation is brought forward to 2023, so that the building can be tested for impairment.

Analysis

IE27. Because the office building is non-cash-generating and held for operational capacity it is measured at current operational value. The carrying amount in 2023 is CU500,000. No decision has been made to sell the building, so it is not in scope of IPSAS 44*, Non-current Assets Held for Sale and Discontinued Operations.*

IE28. There are no restrictions on the building's use. There is a buoyant market for commercial property with average sale prices having increased by 25% in the 2020-2023 period. Mullhal SD therefore considers that fair value less costs to sell is the relevant metric for determining recoverable service amount. There is no need to re-determine current operational value. Fair value less costs to sell is determined as CU2,000,000.

		CU000
a.	Carrying Amount, 2023	500
b.	Recoverable Service Amount (Fair Value less Costs to Sell)	2,000
c.	Impairment Loss (b>a)	0

IE29. There is no impairment loss because recoverable service amount exceeds carrying amount. Although the asset's service potential has diminished, the resources embodied in the asset can be recovered through sale in an orderly market, which is legally permitted and feasible. Therefore, Mullhal SD continues to carry the building on its statement of financial position at CU500,000.

Indication of Impairment (b): Significant long-term changes with adverse effects on the entity have taken place during the reporting period, or will take place in the near future, in the technological, legal, or government policy environment in which the entity operates—*Occupancy changes to residential home for children due to regulatory change.*

Fact Pattern

IE30. Blackwood City Council (CC) acquired a residential home for children in 2003. The residential home had an estimated useful life of 50 years. Until 2023 the home had a capacity of 100 children. In 2023 revised government regulations imposed restrictions on occupancy. As a result, the capacity was reduced to 50 children. Covenants restrict the use of the building to the provision of social services.

IE31. Blackwood CC has adopted the current value model for measurement subsequent to recognition. The carrying amount prior to the impairment indication in 2023 is CU1,800,000. Blackwood CC has a rolling program of revaluations. The next valuation of the residential home is scheduled for 2026. Because of the indication of impairment, the valuation is brought forward to 2023. A valuer's report indicates that Blackwood CC could acquire a residential building of similar age and location suitable for 50 children for CU1,000,000. Adaptations in order to meet regulatory requirements will cost a further CU200,000 making a total cost of CU1,200,000.

Analysis

IE32. Blackwood CC determines that, because of the covenants restricting usage of the building and the site, current operational value using the cost approach is the relevant measurement basis for determining recoverable service amount. Therefore, there is no need to determine fair value less costs to sell.

		CU000
a.	Carrying Amount, 2023	1,800
b.	Recoverable Service Amount (Current Operational Value after impairment testing)	1,200
c.	Impairment Loss b-a	600

IE33. The carrying amount of the residential home in the statement of financial position is reduced to CU1,200,000. There is an impairment loss of CU600,000. Part of this impairment loss is debited to the revaluation reserve up to the level of previous revaluation gains. The remainder is debited to surplus/deficit.

Indication of impairment (c): Physical Damage—*Bridge Damaged as a Result of Ship Colliding with Fabric of Infrastructure*

Fact Pattern

IE34. Creech City Council constructed a road bridge spanning the Grand River in 1998. The construction cost of CU20,000,000 was largely financed by grants from the state and national governments. The bridge had an estimated useful life of fifty years. Creech City Council has adopted the historical cost model for measurement subsequent to recognition.

IE35. In 2023 the bridge was closed due to structural damage after a ship collided with one of the supporting pillars. At the reporting date no vehicles can use the bridge.

Analysis

IE36. The bridge is not in operation at the measurement date and is therefore not providing service potential. It is not possible to sell the bridge so fair value less costs to sell is zero. The recoverable service amount is therefore zero.

		CU000
a.	Construction cost, 1998	20,000
	Accumulated depreciation, 2023 (a × 25 ÷ 50)	10,000
b.	Carrying amount, 2023	10,000
c.	Recoverable Service Amount (Current Operational Value after impairment testing)	0
d.	Impairment loss (b-c)	10,000

IE37. The impairment loss may be fully or partially reversed in a subsequent measurement period if Creech City Council is able to restore the bridge to a condition where it can be reopened. The effect of such an event should be recognized in the reporting period when the restoration work takes place.

Indication of impairment (d): Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used—*School Used as Warehouse*

Fact Pattern

IE38. In 2017 Lunden School District (SD) constructed an elementary school at a cost of CU1,000.000. The estimated useful life of the school building was fifty years. In 2023, the school closed because enrolments in the district declined unexpectedly due to a population decrease caused by the bankruptcy of the major employer in the area. Following closure, the school was converted for use as a storage warehouse for educational materials. Restrictions prevent the sale of the building and site for non-educational purposes. Lunden SD has adopted the historical cost model for measurement subsequent to recognition. The carrying amount of the building in 2023 prior to conversion was CU880,000.

Analysis

IE39. Lunden SD does not expect enrolments to increase in the future and therefore does not anticipate the building reopening as a school. The estimated cost of a warehouse with the same storage capacity as the school using the cost approach is CU300,000. The warehouse has the same remaining useful life as the school. Because the building can only be used for educational purposes fair value less costs to sell is lower than current operational value.

	CU000
(a) Acquisition cost, 2017	1,000
Accumulated depreciation, 2023 (a × 6 ÷ 50)	120
(b) Carrying amount, 2023	880
(c) Recoverable Service Amount (Current Operational Value of warehouse with same storage capacity as school)	300
(d) Impairment loss (b-c)	580

IE40. There is an impairment loss of CU580,000. This is taken to surplus/deficit. The carrying amount of the building is reduced to CU300,000.

Indication of Impairment (e): A decision to halt the construction of the asset before it is complete or in a usable condition—*Halt to capital project to improve and integrate stations in mass transit system*

Fact Pattern

IE41. The Department of Transport (DoT) of Highside State Government operates the mass transit system for Metroland City, which includes an overground commuter railway and a subway network. There are two separate stations called ‘Altgate’ in Metroland City — for the overground railway and the subway. The two stations are not linked and have separate entrances 500 meters apart.

IE42. As the first phase of a broader longer-term program to integrate public transport in 2022, the DoT initiated a capital project to integrate the two stations so that passengers can transfer between overground and subway networks without changing stations. The project includes a new concourse

area, escalators between the two levels, and a new air-conditioning system. The construction work in this phase is planned to take five years.

IE43. Highside State Government has adopted the historical cost model for measurement subsequent to recognition. As at 2023, assets of CU1,000,000 had been recognized for this project. In 2023 due to a sudden and severe financial crisis the program has to be terminated. At the reporting date there is no intention of the program resuming.

Analysis

IE44. As there is no intention to resume the construction works it is inappropriate to treat the program as deferred. Any resale value of the components of the construction works is estimated to be immaterial, so fair value less costs to sell is not relevant. The CU1,000,000 assets are written off to surplus/deficit.

Impairment Indicator (f): Evidence from Internal Reporting — Service performance of an asset is, or is expected to be, significantly worse than expected—*Printer producing less copies than originally estimated*

Fact Pattern

IE45. In 2019, Readam Education Department (ED) purchased a new printing machine in order to produce books for elementary school pupils. Readam ED has adopted the current value model for measurement subsequent to recognition. Readam ED has a rolling program of revaluations. The next revaluation is scheduled for 2024. This is brought forward because of the impairment indication. The carrying amount prior to the impairment indication was CU24,000.

IE46. At the time of purchase, Readam ED estimated that 40,000 copies of books would be printed annually over the estimated 10-year useful life of the machine. In 2023 an internal review, identified that an automated feature of the machine does not operate as expected, resulting in a projected 25 percent reduction in the machine's annual output level over the remaining five years of the useful life of the asset (30,000 copies annually). Repairing the printing machine is not feasible, because the parts are no longer available. The resale value is therefore negligible.

Analysis

IE47. Recoverable service amount is estimated by reference to the cost of a printing machine with the same output as the impaired asset (30.000 annual copies), rather than the cost of replacing the original asset (40,000 annual copies). Readam ED obtains quotes for a machine with an output of 30,000 annual copies. The cheapest quote for a printing machine that does not require adaptation is CU15,000.

		CU000
a.	Carrying Amount in 2023	24
b.	Recoverable Service Amount (Current Operational Value of printing machine with capacity to produce 30,000 annual copies)	15
c.	Impairment Loss (a-b)	9

IE48. The carrying amount of the printer is reduced to CU15,000. There is an impairment loss of CU9,000. This is taken to surplus/deficit as there has not been any surplus arising from a prior revaluation.

Comparison with IAS 36

IPSAS 21 is drawn primarily from IAS 36 (2004). The main differences between IPSAS 21 and IAS 36 are as follows:

…

- ~~The method of measurement of value in use of a non-cash-generating asset under IPSAS 21 is different from that applied to a cash-generating asset under IAS 36. IPSAS 21 measures the value in use of a non-cash-generating asset as the present value of the asset's remaining service potential using a number of approaches. IAS 36 measures the value in use of a cash-generating asset as the present value of future cash flows from the asset~~. The recoverable service amount in IPSAS 21 is the highest of fair value less cost to sell and current operational value, while in IAS 36 the recoverable amount is the highest of fair value less cost to sell and value in use.

…

AMENDMENTS: PART 3 – DEFINITION OF ACCOUNTING ESTIMATES (IPSAS 3)

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 7, 37, 39, 43, and 53 are amended. Paragraphs 37A, 37B, 39A, 59H and IG18-IG21 are added. Paragraphs IG14-IG17 are deleted. New headings are inserted before paragraphs 39, 41, and IG18 and new subheadings are inserted before paragraphs IG18 and IG20. New text is underlined and deleted text is struck through.

…

Definitions

7 **The following terms are used in this Standard with the meanings specified:**

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

~~A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.~~

…

~~Changes in~~ Accounting Estimates

37 An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. ~~As a result of the uncertainties inherent in delivering services, conducting trading, or other activities, many items in financial statements cannot be measured with precision but can only be estimated.~~ Developing accounting estimates involves the use of judgments or assumptions ~~Estimation involves judgments~~ based on the latest available, reliable information. Examples of accounting estimates include ~~For example, estimates may be required of~~:

(a) Tax revenue due to government;

(b) A loss allowance for expected credit losses, applying IPSAS 41, *Financial Instruments*~~Bad debts arising from uncollected taxes~~;

(c) The net realizable value or current operational value of an item of inventory, applying IPSAS 12, *Inventories* and IPSAS 46., *Measurement* respectively ~~Inventory obsolescence~~;

(d) The fair value of an asset or liability, applying IPSAS 46~~financial assets or financial liabilities~~;

(e) The depreciation expense for an item of property, plant, and equipment, applying IPSAS 45, *Property, Plant, and Equipment*~~The useful lives of, or expected pattern of consumption of~~

~~future economic benefits or service potential embodied in, depreciable assets, or the percentage completion of road construction~~; and

(f) A provision for ~~W~~warranty obligations, applying IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

37A. An entity uses estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying IPSAS 41), measurement techniques (for example, techniques used to measure the fair value of an asset or liability applying IPSAS 46), and inputs to develop an accounting estimate.

37B. The term 'estimate' in IPSAS sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in developing accounting estimates.

…

Changes in Accounting Estimates

39. An entity may need to change an accounting estimate ~~may need revision~~ if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an accounting ~~the revision of an~~ estimate does not relate to prior periods and is not the correction of an error.

39A. The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

Applying changes in accounting estimates

…

43. Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events, and conditions from the date of that ~~the~~ change ~~in estimate~~. A change in an accounting estimate may affect only the current period's surplus or deficit, or the surplus or deficit of both the current period and future periods. For example, a change in a loss allowance for expected credit losses ~~the estimate of the amount of bad debts~~ affects only the current period's surplus or deficit, and therefore is recognized in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of economic benefits or service potential embodied in, a depreciable asset affects the depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognized as revenue or expense in the current period. The effect, if any, on future periods is recognized in future periods.

…

Errors

…

Limitations of Retrospective Restatement

…

53. Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need changing ~~revision~~ as additional information becomes known. For example, the gain or loss recognized on the outcome of a contingency is not the correction of an error.

…

Effective Date

…

59H **Paragraphs 7, 37, 39, 43, and 53 are amended, paragraphs 37A, 37B, and 39A are added by Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 3.

…

Revision of IPSAS 3 as a result of Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC20. The IPSASB reviewed the revisions to IAS 8, *Basis of Preparation of Financial Statements* (previously titled *Accounting Policies, Changes in Accounting Estimates and Errors)* included in *Definition of Accounting Estimates* (Amendments to IAS 8) issued by the IASB in February 2021, the IASB's rationale for making these amendments as set out in their Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments.

BC21. The IPSASB noted an inconsistency in terminology between the IASB and the IPSASB literature, specifically with the term 'measurement techniques'. The IPSASB decided to align the terminology in the IPSAS 3 improvement with IPSAS 46, *Measurement*, thus 'valuation techniques' in IAS 8 was replaced with 'measurement techniques' as used in IPSAS 46, and the umbrella term 'measurement techniques' in IAS 8 is not required in the improvements to IPSAS 3.

Implementation Guidance

This Implementation Guidance accompanies, but is not part of, IPSAS 3.

…

~~Prospective Application of a Change in Accounting Policy When Retrospective Application is not Practicable~~ [Deleted]

IG14. ~~During 20X2, the entity changed its accounting policy for depreciating property, plant, and equipment, so as to apply much more fully a components approach, while at the same time adopting the revaluation model.~~ [Deleted]

IG15. ~~In years before 20X2, the entity's asset records were not sufficiently detailed to apply a components approach fully. At the end of year 20X1, management commissioned an engineering survey, which provided information on the components held and their fair values, useful lives, estimated residual values, and depreciable amounts at the beginning of 20X2. However, the survey did not provide a sufficient basis for reliably estimating the cost of those components that had not previously been accounted for separately, and the existing records before the survey did not permit this information to be reconstructed.~~ [Deleted]

IG16. ~~Management considered how to account for each of the two aspects of the accounting change. They determined that it was not practicable to account for the change to a fuller components approach retrospectively, or to account for that change prospectively from any earlier date than the start of 20X2. Also, the change from a cost model to a revaluation model is required to be accounted for prospectively. Therefore, management concluded that it should apply the entity's new policy prospectively from the start of 20X2.~~ [Deleted]

IG17. ~~Additional information:~~ [Deleted]

	~~CU~~
~~Property, plant and equipment~~	
~~Cost~~	~~25,000~~
~~Depreciation~~	~~(14,000)~~
~~Net book value~~	~~11,000~~
~~Prospective depreciation expense for 20X2 (old basis)~~	~~1,500~~
~~Some results of the engineering survey~~	
~~Valuation~~	~~17,000~~
~~Estimated residual value~~	~~3,000~~
~~Average remaining assets life (years)~~	~~7~~
~~Depreciation expense on existing property, plant and equipment for 20X2 (new basis)~~	~~2,000~~

~~Extracts from Notes to the Financial Statements~~

~~From the start of 20X2, the entity changed its accounting policy for depreciating property, plant, and equipment, so as to apply much more fully a components approach, while at the same time adopting the revaluation model. Management takes the view that this policy provides faithfully representative and more relevant information, because it deals more accurately with the components of property, plant, and equipment and is based on up-to-date values. The policy has been applied prospectively from the start of 20X2, because it was not practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date. Accordingly the adopting of the new policy has no effect on prior periods. The effect on the current year is to (a) increase the carrying amount of property, plant, and equipment at the start of the year by CU6,000, (b) create a revaluation reserve at the start of the year of CU6,000, and (c) increase depreciation expense by CU500.~~

Applying the definition of accounting estimates—Fair value of an investment property

Fact pattern

IG18. Entity A owns an investment property that it accounts for by applying the current value model in IPSAS 16, *Investment Property.* Since it acquired the investment property, Entity A has been measuring the investment property's fair value using a measurement technique consistent with the income approach described in IPSAS 46, *Measurement.*

IG19. However, because of changes in market conditions since the previous reporting period, Entity A changes the measurement technique it uses to a measurement technique consistent with the market approach described in IPSAS 46. Entity A has concluded that the resulting measurement is more representative of the investment property's fair value in the circumstances existing at the end of the current reporting period and, therefore, that IPSAS 46 permits such a change. Entity A has also concluded that the change in the measurement technique is not a correction of a prior period error.

Applying the definition of accounting estimates

IG20. The fair value of the investment property is an accounting estimate because:

(a) The fair value of the investment property is a monetary amount in the financial statements that is subject to measurement uncertainty. Fair value reflects the price that would be received or paid in a hypothetical sale or purchase transaction between market participants—accordingly, it cannot be observed directly and must instead be estimated.

(b) The fair value of the investment property is an output of a measurement technique used in applying the accounting policy (current value model).

(c) In developing its estimate of the fair value of the investment property, Entity A uses judgements and assumptions, for example, in:

(i) Selecting the measurement technique that is appropriate in the circumstances; and

(ii) Applying the measurement technique—developing the inputs that market participants would use in applying the measurement technique, such as information generated by market transactions involving comparable assets.

IG21 In this fact pattern, the change is in the measurement technique applied to estimate the fair value of the investment property. The effect of this change is a change in an accounting estimate because

the accounting policy—to measure the investment property at fair value in the current value model—has not changed.

Amendments to IPSAS 40, *Public Sector Combinations*

Paragraphs 120(p)(ii), 124(b)(iii), and AG91 are amended. Paragraph 126I is added. Subheading above paragraph AG94 is amended. New text is underlined and deleted text is struck through.

…

Disclosures

…

120. To meet the objective in paragraph 119, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period:

…

(p) For each acquisition in which the acquirer holds less than 100 percent of the quantifiable ownership interests or equivalent in the acquired operation at the acquisition date:

…

(ii) For each non-controlling interest in an acquired operation measured at fair value, the measurement ~~valuation~~ technique(s) and significant inputs used to measure that value.

…

124. To meet the objective in paragraph 123, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:

…

(b) For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:

…

(iii) The measurement ~~valuation~~ techniques and key model inputs used to measure contingent consideration.

…

Effective Date and Transition

Effective Date

…

126I. **Paragraphs 120(p)(ii), 124(b)(iii), and AG91 are amended, and the subheading above paragraph AG94 is amended by Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS 40.

…

Accounting for Acquisitions

Measuring the Fair Value of Particular Identifiable Assets and a Non-Controlling Interest in an Acquired Operation in an Acquisition (see paragraphs 72–73)

…

Non-Controlling Interest in an Acquired Operation

…

AG91. This Standard allows the acquirer to measure a non-controlling interest in the acquired operation at its fair value at the acquisition date. Sometimes an acquirer will be able to measure the acquisition-date fair value of a non-controlling interest on the basis of a quoted price in an active market for the equity shares (i.e., those not held by the acquirer). In other situations, however, a quoted price in an active market for the equity shares will not be available. In those situations, the acquirer would measure the fair value of the non-controlling interest using other measurement ~~valuation~~ techniques.

…

Measuring the Acquisition-Date Fair Value of the Acquirer's Interest in the Acquired Operation Using Measurement ~~Valuation~~ Techniques (see paragraph 87)

AG94. In an acquisition achieved without the transfer of consideration, the acquirer must substitute the acquisition-date fair value of its interest in the acquired operation for the acquisition-date fair value of the consideration transferred to measure goodwill, a loss or a gain on a bargain purchase (see paragraphs 85–87).

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 40

…

Revision of IPSAS 40 as a result of Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC96. The IPSASB replaced the term ‘valuation techniques’ with the term ‘measurement techniques’ for consistency with the new terminology introduced in IPSAS 46, *Measurement*.

Amendments to IPSAS 41, *Financial Instruments*

Paragraphs AG124, AG130, AG135 and AG136 are amended. Paragraph 156I is added. New text is underlined and deleted text is struck through.

…

Effective Date

156I. **Paragraphs AG124, AG130, AG135, and AG136 are amended by Part 3 ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS 41.

…

Initial Measurement

Concessionary Loans

…

AG124 An entity firstly assesses whether the substance of the concessionary loan is in fact a loan, a non-exchange transaction, a contribution from owners or a combination thereof, by applying the principles in IPSAS28 and paragraphs AG152-AG153 of IPSAS 47. If an entity has determined that the transaction, or part of the transaction, is a loan, it assesses whether the transaction price represents the fair value of the loan on initial recognition. An entity determines the fair value of the loan by using the principles in paragraphs AG144–AG155. Where an entity cannot determine fair value by reference to an active market, it uses a measurement ~~valuation~~ technique. Fair value using a measurement ~~valuation~~ technique could be determined by discounting all future cash receipts using a market related rate of interest for a similar loan (see paragraph AG115)

…

Equity Instruments Arising from Non-Exchange Transactions

…

AG130. To the extent an equity instrument arises from the transaction, or component of the transaction, that is within the scope of this Standard, it is to be recognized initially at fair value in accordance with Paragraph 57. The equity instrument is to be measured subsequently in accordance with paragraphs 61–63. If the instrument does not have an active market, the entity shall consider measurement ~~valuation~~ techniques and inputs in paragraphs AG149–AG155) in determining its fair value.

…

Valuing Financial Guarantees Issued through a Non-Exchange Transaction

…

AG135. Where there is no active market for a directly equivalent guarantee contract; the entity considers whether a measurement ~~valuation~~ technique other than observation of an active market is available and provides a reliable measure of fair value. Such a measurement ~~valuation~~ technique may rely on mathematical models which consider financial risk. For example, National Government W guarantees a bond issue of Municipality X. As Municipality X has a government guarantee backing its bond issue, its bonds have a lower coupon than if they were not secured by a government guarantee. This is because the guarantee lowers the risk profile of the bonds for investors. The guarantee fee could be determined by using the credit spread between what the coupon rate would have been had the issue not been backed by a government guarantee and the rate with the guarantee in place. Where a fair value is obtainable either by observation of an active market or

through another measurement ~~valuation~~ technique, the entity recognizes the financial guarantee at that fair value in the statement of financial position and recognizes an expense of an equivalent amount in the statement of financial performance. When using a measurement ~~valuation~~ technique that is not based on observation of an active market an entity needs to satisfy itself that the output of any model is reliable and understandable.

AG136. If no reliable measure of fair value can be determined, either by direct observation of an active market or through another measurement ~~valuation~~ technique, an entity is required to measure the financial guarantee contract at the amount of the loss allowance determined in accordance with paragraphs 73 to 93.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 41

…

Revision of IPSAS 41 as a result of Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC53. The IPSASB replaced the term ‘valuation techniques’ with the term ‘measurement techniques’ for consistency with the new terminology introduced in IPSAS 46, *Measurement*.

…

Implementation Guidance

This Implementation Guidance accompanies, but is not part of, IPSAS 41.

…

Fair Value (paragraphs 31–34)

…

IG15. IPSAS30 requires a reconciliation from beginning to ending balances for those assets and liabilities that are measured in the statement of financial position at fair value based on a measurement ~~valuation~~ technique for which any significant input is not based on observable market data (Level 3). A tabular format is required unless another format is more appropriate. An entity might disclose the following for assets to comply with Paragraph 33(b). (Disclosure of comparative information is also required, but is not included in the following example)

…

Amendments to IPSAS 45, *Property Plant, and Equipment*

Paragraphs 79(a) and 81(d) are amended. Paragraph 87E is added. New text is underlined and deleted text is struck through.

…

Disclosure

…

Current Value Measurement

79. An entity shall disclose information that helps users of its financial statements assess both of the following:

    (a) For property, plant, and equipment that are measured at current operational value or fair value in the statement of financial position after initial recognition, the measurement ~~valuation~~ techniques and inputs used to develop those measurements.

…

81. To meet the objectives in paragraph 79, an entity shall disclose, at a minimum, the following information for each class of property, plant, and equipment (see paragraph 82 for information on determining appropriate classes of property, plant, and equipment for current value measurement disclosures) measured at current operational value or fair value in the statement of financial position after initial recognition:

    …

    (d) For current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g., changing from a cost approach to a market approach or the use of an additional measurement ~~valuation~~ technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using significant unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity.

…

Effective Date and Transition

Effective Date

…

87E. Paragraphs 79(a) and 81(d) are amended by Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 45

…

Revision of IPSAS 45 as a result of Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC91. The IPSASB replaced the term ‘valuation techniques’ with the term ‘measurement techniques’ for consistency with the new terminology introduced in IPSAS 46, *Measurement*.

…

Amendments to IPSAS 46, *Measurement*

Paragraphs B13 is amended. Paragraph 56B is added. New text is underlined and deleted text is struck through.

…

Effective Date and Transition

Effective Date

…

56B. **Paragraph B13 is amended by Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Appendix B

Current Operational Value

This Appendix is an integral part of IPSAS 46

…

Measurement

…

The Amount the Entity would Pay

…

Observable Inputs

…

B13. When a price for an identical, or similar, asset is not observable, an entity measures current operational value using another measurement ~~valuation~~ technique that uses observable inputs, where feasible, such as when external resources are available and can be used.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 46

…

Revision of IPSAS 46 as a result of Part 3 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC104. The IPSASB replaced the term ‘valuation techniques’ with the term ‘measurement techniques’ for consistency with the new terminology introduced in IPSAS 46, *Measurement*.

…

AMENDMENTS: PART 4 – IMPROVEMENTS TO CURRENT VALUE MEASUREMENT DISCLOSURES

Amendments to IPSAS 16, *Investment Property*

Paragraphs 89A, and 89C(a)-89C(g) are amended. Paragraph 101N is added. New text is underlined and deleted text is struck through.

…

Disclosure

…

Current Value Measurement

89A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) **For investment properties that are measured at fair value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and**

(b) **For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.**

…

89C. To meet the objectives in paragraph 89A, an entity shall disclose, at a minimum, the following information for each class of investment property (see paragraph 89D for information on determining appropriate classes of investment property) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The fair value measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of investment property are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of investment property are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) ~~For recurring and non-recurring fair value measurements, whether the fair value measurements are estimated using observable or unobservable inputs.~~ For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For ~~recurring and non-recurring~~ fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value

measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(d) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) …

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those investment properties held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(f) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

Effective Date

101N. **Paragraphs 89A, and 89C(a)-89C(g) are amended by Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 16.

…

Revision of IPSAS 16 as a result of Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC13. The IPSASB decided to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

…

Amendments to IPSAS 27, *Agriculture*

Paragraphs 46A, and 46C(a)-46C(g) are amended. Paragraph 56L is added. New text is underlined and deleted text is struck through.

…

Disclosure

…

General

…

Current Value Measurement

46A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For agricultural assets that are measured at fair value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period

…

46C. To meet the objectives in paragraph 46A, an entity shall disclose, at a minimum, the following information for each class of agricultural assets (see paragraph 46D for information on determining appropriate classes of agricultural assets) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The fair value measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of agricultural assets are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of agricultural assets are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For ~~recurring and non-recurring~~ fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative

information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(d) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) …

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those agricultural assets held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(f) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

Effective Date

56L. **Paragraphs 46A, and 46C(a)-46C(g) are amended by Part of 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 27.

…

Revision of IPSAS 27 as a result of part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC19. The IPSASB decided to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

Amendments to IPSAS 30, *Financial instruments: Disclosures*

Paragraphs 30A, and 30C(a)-30C(h) are amended. Paragraph 52O is added. New text is underlined and deleted text is struck through.

…

Other Disclosures

…

Fair Value

30A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For financial instruments that are measured at fair value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.

…

30C. To meet the objectives in paragraph 30A, an entity shall disclose, at a minimum, the following information for each class of financial instruments (see paragraph 30D for information on determining appropriate classes of financial instruments) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The fair value measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of financial instruments are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of financial instruments are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For financial instruments held at the end of the reporting period that are measured at fair value ~~on a recurring basis~~, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 30E). Transfers into each level shall be disclosed and discussed separately from transfers out of each level;

(d) For ~~recurring and non-recurring~~ fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value

measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) …

(iv) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 30E). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

(f) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those financial instruments held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(g) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(h) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

Effective Date and Transition

Effective Date

…

52O. **Paragraphs 30A, and 30C(a)-30C(h) are amended by Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 30.

…

Revision of IPSAS 30 as a result of part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC14. The IPSASB decided to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

…

Amendments to IPSAS 34, *Separate Financial Statements*

Paragraphs 23A, and 23C(a)-23C(h) are amended. Paragraph 32F is added. New text is underlined and deleted text is struck through.

…

Disclosure

…

Current Value Measurement

23A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For investments that are measured at fair value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.

23C. To meet the objectives in paragraph 23A, an entity shall disclose, at a minimum, the following information for each class of investments (see paragraph 23D for information on determining appropriate classes of investments) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The fair value measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of investments are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of investments are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For investments held at the end of the reporting period that are measured at fair value ~~on a recurring basis~~, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 23E). Transfers into each level shall be disclosed and discussed separately from transfers out of each level;

(d) For ~~recurring and non-recurring~~ fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value

measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) …

(iv) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 23E). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

(f) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those investments held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(g) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(h) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

Effective Date

…

32F. Paragraphs 23A, and 23C(a)-23C(h) are amended by Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 34.

…

Revision of IPSAS 34 as a result of Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC11. The IPSASB decided to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

…

Amendments to IPSAS 38, *Disclosure of Interest in Other Entities*

Paragraphs 57A, and 57C(a)-57Cg) are amended. Paragraph 61F is added. New text is underlined and deleted text is struck through.

…

Current Value Measurement

57A. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) For interests in other entities that are measured at fair value ~~on a recurring or non-recurring basis~~ in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements; and

(b) For ~~recurring~~ fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on surplus or deficit or net assets/equity for the period.

57C. To meet the objectives in paragraph 57A, an entity shall disclose, at a minimum, the following information for each class of interests in other entities (see paragraph 57D for information on determining appropriate classes of interests in other entities) measured at fair value (including measurements based on fair value within the scope of IPSAS 46, Measurement) in the statement of financial position after initial recognition:

(a) ~~For recurring and non-recurring fair value measurements, t~~The fair value measurement at the end of the reporting period~~, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of interests in other entities are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of interests in other entities are those that this Standard requires or permits in the statement of financial position in particular circumstances~~;

(b) For ~~recurring and non-recurring~~ fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(c) For ~~recurring and non-recurring~~ fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional measurement technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity;

(d) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) …

(e) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those interests in other entities held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(f) For ~~recurring and non-recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period); and

(g) For ~~recurring~~ fair value measurements categorized within Level 3 of the fair value hierarchy:

…

Effective Date

…

61F. **Paragraphs 57A, and 57C(a)-57C(g) are amended by Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement*, issued in [Month] [Year]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, [Year] retrospectively in accordance with IPSAS 3. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.**

…

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 38.

…

Revision of IPSAS 38 as a result of Part 4 of ED 90, *Amendments to IPSAS as a Result of the Application of* IPSAS 46, *Measurement* issued in [Month and Year]

BC15. The IPSASB decided to remove the terms ‘recurring’ and ‘non-recurring’ to enhance the consistency of current value measurement disclosure terminology across IPSAS.

…

Alternative View

Alternative View of Ms. Angela Ryan and Mr. Andrew van der Burgh

AV1. Ms. Ryan and Mr. van der Burgh disagree with the proposals in ED 90 regarding the application of current operational value to the subsequent measurement of intangible assets at this time. Their main reasons are:

(a) Absence of the 'active market restriction' for the revaluation of intangible assets held for their operational capacity. This is a fundamental change that may impact the reliability of the measurement of those intangible assets.

(b) Current operational value requirements were primarily developed for tangible assets, which could make these requirements challenging to apply to intangible assets.

(c) The International Accounting Standards Board (IASB) is undergoing a comprehensive review of the accounting requirements for intangible assets for private-sector entities (not only limited to measurement implications).

Ms. Ryan and Mr. van der Burgh consider that the addition of current operational value into IPSAS 31, *Intangible Assets* should be reassessed after undertaking an analysis in respect of the concerns raised in (a) and (b) above. They would recommend that this analysis occurs once the IASB has finalized its comprehensive review of the accounting requirements for intangible assets.

Active market restriction

AV2. Ms. Ryan and Mr. van der Burgh note that under the current requirements in IPSAS 31 Intangible Assets, an entity may revalue an intangible asset at fair value only if an active market exists for the intangible asset. Paragraph 74 of IPSAS 31 currently states: "For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market". A similar 'active market restriction' applies to private-sector entities applying IAS 38 *Intangible Assets*.

AV3. The proposed amendments to IPSAS 31 in ED 90 would allow public sector entities to revalue intangible assets for which no active market exists if the intangible assets are held for operational capacity, using the cost approach as a technique to determine current operational value. That is:

(a) The proposed amendments to IPSAS 31 do not include an 'active market restriction' for the revaluation of intangible assets held for their operational capacity, similar to the restriction for the revaluation of intangible assets held for their financial capacity, which are subsequently measured at fair value (see paragraph 74B of IPSAS 31 in ED 90).

(b) As explained in IPSAS 46 Measurement, current operational value can be determined using the market approach or the cost approach. Paragraph B32 of IPSAS 46 states that "applying the market approach to measure the current operational value of an asset requires the existence of an active market with transactions involving identical or similar assets". Paragraph B35 of IPSAS 46 states that "the current operational value of an asset should be established using the cost approach when no active market for similar or identical assets exists. […]".

(c) Therefore, under the proposed amendments to IPSAS 31 in ED 90, if a public sector entity holds intangible assets for operational capacity and no active market exits, the entity would be permitted to revalue these intangible assets using the cost approach to measure current operational value.

AV4. The 'active market restriction' is arguably a fundamental principle of the revaluation requirements in the current IPSAS 31, to ensure that intangible assets are reliably measured. The proposals omit this restriction for intangible assets held for their operational capacity. Ms. Ryan and Mr. van der Burgh question whether this proposal would achieve appropriate financial reporting and consistency with *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. Some of the concerns arising from the implications of these proposals are set out in paragraphs AV5 and AV6.

AV5. Ms. Ryan and Mr. van der Burgh have concerns about the faithful representation of current operational value measurements using the cost approach for intangible assets held for their operational capacity (when there is no active market), especially for internally generated intangible assets. In particular:

(a) IPSAS 31, paragraph 76 (and IAS 38, paragraph 77) states that "… if only part of the cost of an intangible asset is recognized as an asset because the asset did not meet the criteria for recognition until part of the way through the process, the current value model may be applied to the whole of that asset". Revaluing an internally generated intangible asset to current operational value using the cost approach would allow previously uncapitalized expenses, such as research costs, to be included in the revalued amount.

(b) The difficulties that exist with respect to determining the cost of internally generated intangible assets at initial recognition will also exist when subsequently measuring these assets at current operational value using the cost approach. IPSAS 31, paragraph 49 (and IAS 38, paragraph 51) explains these difficulties, noting in particular the difficulty of distinguishing the cost of the asset from the cost of maintaining or enhancing internally generated goodwill or running the day-to-day operations. The nature of intangible assets may be that they are subject to continuous development and enhancement.

There is a risk that current operational value measurement for such assets could result in information that does not faithfully reflect future service potential and/or is inconsistent with how current operational value is determined for other assets, which could detract from the usefulness of this information to users.

AV6. Ms. Ryan and Mr. van der Burgh also note that the proposals in ED 90 would mean that a public sector entity would be able to revalue an intangible asset for which there is no active market if the asset is held for its operational capacity, but:

(a) The same entity would not be permitted to revalue the same type of intangible asset if the asset was held for its financial capacity; and

(b) The same type of asset would not be permitted to be revalued if it was held by a private sector entity, regardless of the purpose for which it is held.

There is a risk that these inconsistencies would detract from the relevance, faithful representation, comparability and understandability of information in public sector entities' financial statements.

Some current operational value requirements and guidance focus on tangible assets

AV7. Ms. Ryan and Mr. van der Burgh note that some of the current operational value requirements and guidance in IPSAS 46 Measurement focus specifically on tangible assets – e.g. the guidance referring to a 'modern equivalent asset' and considering the 'existing location' of the asset in determining current operational value. It could be challenging to apply this guidance to intangible

assets if current operational value is included in IPSAS 31 without further guidance on the application of current operational value to intangible assets.

IASB's project on intangible assets

AV8. In the private sector, the IASB has commenced a project involving a comprehensive review of the accounting requirements for intangible assets in IAS 38. The IASB's stakeholders have highlighted several deficiencies in IAS 38, including its scope, its recognition and measurement requirements, and the adequacy of the information that entities are required to disclose about intangible assets. Many of these concerns would be shared by public sector stakeholders.

AV9. Given the broad scope of issues that the IASB plans to consider in reviewing IAS 38, Ms. Ryan and Mr. van der Burgh consider that it would be prudent to wait for the IASB to finalize its comprehensive review of IAS 38 – rather than making changes to one aspect of the accounting for intangible assets, i.e. revaluation, at this time.

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