

21 October 2021

Ian Carruthers  
Chair  
International Public Sector Accounting Standards Board  
529 Fifth Avenue New York  
NY 10017 USA

Via website: [www.ipsasb.org](http://www.ipsasb.org)

Dear Ian

**Exposure Draft (ED) 76, Conceptual Framework Update: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements***

**ED 77, *Measurement***

**ED 78, *Property, Plant and Equipment***

**ED 79, *Non-Current Assets Held for Sale and Discontinued Operations***

As the representatives of over 300,000 professional accountants in Australia, New Zealand and around the world, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) thank you for the opportunity to provide feedback on the above EDs.

In this submission, we provide overall comments on the proposals made in the above EDs rather than answering the specific questions set out in each one. These comments include feedback received from our members and other public sector stakeholders with whom we consulted as part of our outreach activities.

**Alignment with IFRS 13 *Fair Value Measurement* (ED 76, 77, 78)**

Consistent with [our response](#) to the IPSASB consultation paper on measurement in 2019, we support the IPSASB's proposals to align the definition of fair value with that in IFRS 13 *Fair Value Measurement* (IFRS 13) and to include the concept in the IPSAS Conceptual Framework.

**Current Operational Value (COV) measurement basis (ED 76, 77, 78)**

We appreciate the IPSASB's efforts to develop proposals to address the accounting gaps in measuring non-financial assets held to meet their service delivery objectives.

We agree there are some challenges in applying the IFRS 13 fair value measurement basis for public sector non-financial assets held primarily for their operational capacity, particularly due to the concept of "highest and best use" and the challenge of maximising the use of market participant data. However, feedback we received suggests that, rather than introducing a new measurement basis (COV), these challenges can be addressed through developing public sector specific application guidance to accompany the IFRS 13 fair value measurement basis.

We are also of the view that the IPSASB has not clearly articulated why COV would be a more appropriate basis to measure the current value of operational capacity assets instead of the IFRS 13 fair value measurement basis. We are unable to support the proposed COV as a measurement basis for the following reasons:

- In our view, the proposals in ED 77 do not clearly distinguish the differences that exist between the COV and fair value measurement bases. Both these bases adopt the same three measurement techniques (market, cost and income) but the ED does not clearly set out how each of these three measurement techniques would operate under COV. Therefore, we are unable to form a view on whether the COV would resolve the challenges of applying the fair value basis in measuring operational capacity assets.
- In our view, the measurement objectives that the COV measurement basis seeks to achieve could also be achieved by applying the cost approach in the fair value measurement basis. Hence, we do not see the necessity for introducing a completely new basis of measurement.
- Feedback we received suggests that introducing COV as a separate measurement basis would be an onerous impost on preparers and auditors. The potential complexity of having to apply a mixture of measurement bases for the same class of assets, and requiring preparers to determine which basis is more appropriate, could result in inconsistent outcomes that may result in financial statements that are less comparable.

We also refer you to the submissions of the New Zealand Accounting Standards Board (NZASB) and the Australian Accounting Standards Board (AASB) on EDs 76 and 77, to which our members and other public sector stakeholders have contributed, for a more detailed discussion of these issues.

Since 2013, Australian public sector entities have been applying AASB 13 *Fair Value Measurement* (the Australian equivalent to IFRS 13 *Fair Value Measurement*) in accounting for non-financial assets measured at fair value. The AASB is currently undertaking a project to address specific concerns that affect consistency in applying AASB 13 principles through developing additional guidance. It may be appropriate for the IPSASB to adopt a similar approach to the AASB and develop application guidance to accompany the IFRS 13 fair value measurement basis when applying this basis to measuring operational capacity assets.

If, however, the IPSASB decides to pursue COV as a new measurement basis, we suggest that the IPSASB addresses the concerns we have raised above before proceeding. It may also be appropriate for the IPSASB to undertake further research to understand public sector users' perspectives in evaluating the need for an alternative measurement basis to measure operational capacity assets.

### **Property, Plant and Equipment (ED 78)**

We support the proposed removal of the current scope exclusion for heritage assets in IPSAS 17 *Property, Plant and Equipment* (IPSAS 17) and the development of additional guidance for heritage and infrastructure assets which will assist in applying the principles of IPSAS 17 to these assets. Heritage and infrastructure assets have been included within the scope of equivalent standards to IPSAS 17 in New Zealand ([PBE IPSAS 17](#)) and Australia ([AASB 116](#))

for many years and we have received no feedback that identifies sector specific concerns that would preclude adoption of the IPSAS 17 requirements internationally for these assets.

We also support the requirement to include additional disclosures for unrecognised heritage assets and note that disclosures of this nature are already required by paragraph 94.1 of [PBE IPSAS 17 in New Zealand](#). A user's interest in heritage assets is often related to the significance of the item and the entity's ability to maintain and manage such items over the long term. Therefore, users have an interest in this information, regardless of whether the asset meets the asset recognition criteria or whether a monetary value can be ascribed to it. We therefore recommend that:

- The requirement in paragraph 80(b) becomes paragraph 80(a) to recognise that this is the disclosure that addresses the true nature of the significance of the heritage asset and why it cannot be valued for recognition and measurement purposes.
- The existing paragraph 80(a) should also be reworded to recognise that the valuation challenges it refers to can relate to recognition and/or measurement issues as either may be relevant.
- Paragraph 81 and the related application and implementation guidance at AG20 and IG9 be removed as we do not believe subsequent expenditure on an asset can be recognised if the original asset to which it relates has not been recognised.

We also have concerns about the nature of the “application” and “implementation” guidance sections in the proposed new standard. We believe that they currently contain material that is of varying degrees of importance, making it difficult to judge the appropriate significance and status of specific paragraphs within each of these sections. As an example, paragraphs AG8-AG15 are application guidance paragraphs discussing the application of a “Conceptual Framework concept” (asset) that does not appear to actually provide any additional guidance supporting IPSAS 17. As such, this material would be better relocated to, or to simply reference, the Conceptual Framework.

By way of contrast, the application guidance material relating to “subsequent costs” (paragraphs AG17-AG19) and “elements of cost” (paragraphs AG21-AG23) is of sufficient importance to the application of the recognition principle (paragraph 7) that it warrants inclusion within the body of the standard. We therefore consider that the location of all of this material needs to be more carefully considered to ensure the content in each of these sections serves its intended purpose.

### **Non-current assets held for sale and discontinued operations (ED 79)**

We support the proposals in ED 79 to include requirements within IPSAS for accounting for non-current assets held for sale and discontinued operations that align with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This standard has had an Australian ([AASB 5](#)) and New Zealand (now [PBE IFRS 5](#)) equivalent applying to public sector entities since both jurisdictions implemented international harmonisation in 2004. We have received no feedback that suggests there are sector specific concerns with the requirements that would preclude adoption internationally.

However, feedback we have received indicates that the proposed disclosure in paragraph 52 of ED 79 is onerous and would add little value. It is common in our jurisdictions to revalue property, plant and equipment on a regular basis, but not necessarily annually. Therefore, requiring current value disclosures could impose substantial additional costs from a preparer and audit perspective which we do not believe would outweigh the resultant benefits to users.

If an entity is not applying the revaluation method, the most likely reason is that there are difficulties associated with determining a current value for the item in question. We are of the view that the current requirements in IPSAS 17 (paragraph 44) already ensure entities monitor material differences between carrying and current values, but do not mandate this disclosure for those assets currently carried at cost.

If you have any questions about our submission, please contact either Ram Subramanian (CPA Australia) at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au) or Amir Ghandar (CA ANZ) at [amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com).

Your sincerely

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