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International Public Sector Standards Board
277 Wellington Street West
Toronto, ON M5V3H2
Canada

IPSASB Exposure Drafts ED 76 *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements* and ED 77 *Measurement*

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on IPSASB Exposure Drafts ED 76 *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements* and ED 77 *Measurement* (the ITC).

The majority ACAG view believes that fair value in accordance with IFRS 13 'Fair Value Measurement' is still appropriate to measure operational assets.

ACAG does not believe that departing from the principles within IFRS 13 will resolve the interpretative and application issues within the public sector. Instead, these issues can be more effectively resolved by providing public sector specific practical guidance and illustrative examples to help public sector entities apply the principles in IFRS 13.

Adopting the IPSASB's current operational value measurement basis would constitute a departure from current practice in most state government jurisdictions in Australia and result in stakeholders needing to learn a new current value concept.

If the new current operational value measurement basis is adopted for operational assets, the majority ACAG view supports the alternate definition in AV3 of ED 76 which focuses on replacing the service potential of the operational asset.

ACAG does not believe that the current guidance is sufficient to measure operational assets using the current operational value. ACAG has identified issues with the guidance which are detailed in the specific matters for comment for ED 77

The attachment to this letter addresses the IPSASB's specific matters for comment outlined in the EDs.

ACAG appreciates the opportunity to comment and trusts the attached comments are useful.

Yours sincerely

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Attachment

Specific Matters for Comment – ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements

Specific Matter for Comment 1:
ED 76 proposes a measurement hierarchy. Do you agree with the three-tier hierarchy? If not, why not? How would you modify it?

ACAG has no specific comments.

Specific Matter for Comment 2:
Do you agree with the proposed inclusion of fair value as a measurement basis for assets and liabilities with the same definition as in IFRS 13, Fair Value Measurement, in the Conceptual Framework? If not, why not?

ACAG has no specific comments.

Specific Matter for Comment 3:
Do you agree with the proposed inclusion of current operational value as a measurement basis for assets in the Conceptual Framework? If not, why not?

Majority ACAG view

The majority ACAG view believes that fair value in accordance with IFRS 13 'Fair Value Measurement' is still appropriate to measure operational assets. Public sector entities in Australia currently use fair value to measure public sector assets including operational assets that are not primarily held to generate net cash inflows. In most instances, use of current replacement cost under the cost approach in IFRS 13 appropriately reflects the service potential of the asset.

ACAG does not believe that departing from the principles within IFRS 13 will resolve the interpretative and application issues within the public sector. Instead, these issues can be more effectively resolved by providing public sector specific practical guidance and illustrative examples to help public sector entities apply the principles in IFRS 13.

The majority ACAG view believes that adopting the IPSASB's proposed 'current operational value' approach may cause additional complexities as:

- the proposed definition of 'operational value' is unclear
- entities would need to determine which assets are held for their operational capacity, which would introduce judgement to determine their value. The classification may also be subjective and open to interpretation as assets may still receive cash flow returns even though they are held for their operational capacity. The use of public sector assets also changes over time
- similar assets may be valued using different approaches such as the current operational value approach and the fair value approach. This is unlikely to add clarity and comparability for financial statement users as the basis of measurement of an asset differs solely based on whether it is in the public, private or not-for-profit sectors
- stakeholders would need to learn a new current value concept. The inadequate guidance provided in the current operational value approach will result in additional application issues and divergent practices, albeit a different set from those currently under IFRS 13.

Divergent jurisdiction's view

This jurisdiction strongly supports a current value approach that is consistent with how the public sector uses assets, particularly infrastructure assets. This jurisdiction does not believe that IFRS 13 or an exit approach is desirable or needed for GFS reporting and that there are weaknesses in the IFRS 13 approach of exit value that assumes that assets will be sold when they will not be, and the related concepts of market participant (when there are none) and highest and best use (when existing use is the best use, unless a decision has been made otherwise). This jurisdiction believes that a value based on current use and location and linked to asset management plans and sustainability will provide more relevant information at a lower cost.

This jurisdiction believes that currently the current operational value approach is not sufficiently defined to apply consistently in practice. This jurisdiction also believes that the differences from IFRS 13 have not been sufficiently articulated, causing confusion. For example, is current operational value 'replacement cost' as per IFRS 13, but using current location and condition, and not applying the hypothetical participant approach, or is it a significantly different approach? This jurisdiction believes that identifying and articulating the differences from IFRS 13, may result in a higher acceptance for what is presently an unknown approach.

Specific Matter for Comment 4:
It is proposed to substitute a general description of value in use (VIU) in both cash-generating and non-cash-generating contexts, for the previous broader discussion of VIU. This is because the applicability of VIU is limited to impairments. Do you agree with this proposed change? If not, why not? How would you approach VIU instead and why?

ACAG notes that the IPSASB's proposal to remove 'value in use' from the list of measurement bases for assets in the Conceptual Framework is inconsistent with the IASB's revised Conceptual Framework (RCF). If the IPSASB is increasing its emphasis on the consistent use of terminology and definitions by the global standard setter, then ACAG believes that the measurement bases in the Conceptual Frameworks should align whenever possible.

Specific Matter for Comment 5:
Noting that ED 77, Measurement, proposes the use of the cost approach and the market approach as measurement techniques, do you agree with the proposed deletion of the following measurement bases from the Conceptual Framework: • Market value—for assets and liabilities; and • Replacement cost—for assets? If not, which would you retain and why?

ACAG agrees with the IPSASB's proposal to delete the market value and the replacement cost measurement bases from the Conceptual Framework.

Specific Matter for Comment 6:
The IPSASB considers that the retention of certain measurement bases that were in the 2014 Conceptual Framework is unnecessary. Do you agree with the proposed deletion of the following measurement bases from the Conceptual Framework? • Net selling price—for assets • Cost of release—for liabilities • Assumption price—for liabilities If not, which would you retain and why?

ACAG agrees with the IPSASB's proposal to delete the net selling price, cost of release and assumption price measurement bases from the Conceptual Framework.

Specific Matter for Comment 7:
Are there any other issues relating to Chapter 7: Measurement of Asset and Liabilities in Financial Statements of the Conceptual Framework that you would like to highlight?

ACAG has no specific comments.

Specific Matters for Comment – ED 77 *Measurement*

Specific Matter for Comment 1 – (paragraphs 7–16):
Do you agree an item that qualifies for recognition shall be initially measured at its transaction price, unless: • That transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes; or • Otherwise required or permitted by another IPSAS? If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

ACAG suggests that the IPSASB consider using wording adopted by the AASB in AASB 116 'Property, Plant and Equipment' and AASB 1058 'Income of Not-for-Profit Entities'. That wording broadly requires the difference to be recognised when the consideration for the asset is significantly less than fair value / current value principally to enable the entity to further its objectives.

The benefits of the AASB wording include:

- referring to the entity's objectives helps ensure that the discount is intentional and does not arise from a 'great deal' such as distress sales or trade discounts
- defining the discount as significantly below fair value provides a practical exemption from having to consider discounts that are less than significant.

Specific Matter for Comment 2 – (paragraph 17):
Do you agree after initial measurement, unless otherwise required by the relevant IPSAS, an accounting policy choice is made to measure the item at historical cost or at its current value? This accounting policy choice is reflected through the selection of the measurement model. If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

ACAG disagrees with the proposal as our view is that revaluation after initial measurement should only be permitted if there is a relevant IPSAS to ensure the revaluation movement is appropriately accounted for. For example, is an increase recognised in net surplus, or in reserves? If recognised in reserves, is there recycling through net surplus when the item is derecognised?

Specific Matter for Comment 3 – Appendix A (paragraphs A1–A6):
In response to constituents' comment letters on the Consultation Paper, Measurement, guidance on historical cost has been developed that is generic in nature (Appendix A: Historical Cost). Do you agree the guidance is appropriate for application by public sector entities? If not, please provide your reasons, stating what guidance should be added or removed, and why.

ACAG has no specific comments.

Specific Matter for Comment 4 – Appendix A (paragraphs A1–A6):
Do you agree no measurement techniques are required when applying the historical cost measurement basis in subsequent measurement? If not, please provide your reasons, stating which measurement techniques are applicable to the subsequent measurement of an asset or liability measured at historical cost, and why.

ACAG has no specific comments.

Specific Matter for Comment 5 – (paragraphs 6):
Do you agree current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date? If not, please provide your reasons, stating clearly what principles more appropriate for the public sector, and why. The Exposure Draft includes an Alternative View on current operational value.

Majority ACAG view

The majority ACAG view believes that fair value in accordance with IFRS 13 'Fair Value Measurement' is still appropriate to measure operational assets. Public sector entities in Australia currently use fair value to measure public sector assets including operational assets that are not primarily held to generate net cash inflows. In most instances use of current replacement cost under the cost approach in IFRS 13 appropriately reflects the service potential of the asset.

ACAG does not believe that departing from the principles within IFRS 13 will resolve the interpretative and application issues within the public sector. We believe that interpretation and application issues within the public sector can be more effectively resolved by providing public sector specific practical guidance and illustrative examples to help public sector entities apply the principles in IFRS 13.

If the new current operational value measurement basis is adopted for operational assets, the majority ACAG view supports the alternate definition in AV3 of ED 76 which focuses on replacing the service potential of the operational asset. ACAG believes that the IPSASB's proposed definition of current operational value:

- is unclear. For example, it is not clear what 'value' means and whether this is an entry or an exit price. This makes it difficult to determine the objective of the measurement and the measurement technique that is appropriate
- should specifically refer to valuing the service potential of the asset rather that referring to the service delivery objectives
- will create additional problems and ambiguity in measuring public sector assets leading to different interpretations and practices by preparers, valuers and auditors.

Divergent jurisdiction's view

This jurisdiction is of the view that neither fair value per IFRS 13, current operational value as currently drafted, or the alternative view, addresses the practical issues in valuing public sector assets, particularly infrastructure. Current operational value addresses some of the practical issues with IFRS 13, but as currently drafted is not an adequate replacement.

While IFRS 13 has been used extensively in Australia, applying the exit price concepts to the replacement cost approach causes unnecessary time and effort in valuations, and there are divergent practices across jurisdictions.

The main exit price issues identified in Australia include those identified by the IPSASB - using exit price when there is no intention of exiting the asset, identifying a highest and best use when the asset is currently intended to be used for its current purposes, using market observable data when such data is not readily observable, and restrictions and conditions.

The proposed current operational value term is too nebulous and would be better expressed as a replacement cost approach – which would include using various techniques – such as market if the asset was to be replaced from the market (e.g. social housing). The current operational value approach also includes inadequate guidance. Specific Matter for Comment 6 provides details of ACAG's concerns with the current guidance.

Specific Matter for Comment 6 – Appendix B (paragraphs B1–B41):
Do you agree the proposed definition of current operational value and the accompanying guidance is appropriate for public sector entities (Appendix B: Current Operational Value)? If not, please provide your reasons, stating clearly what definition and guidance is more appropriate, and why.

Definition of operational value

Majority ACAG view

The majority ACAG view believes that fair value in accordance with IFRS 13 'Fair Value Measurement' is still appropriate to measure operational assets with additional public sector specific guidance and illustrative examples to help public sector entities apply the principles in IFRS 13.

If the new current operational value measurement basis is adopted for operational assets, the majority ACAG view supports the alternate definition in AV3 of ED 76 which focuses on replacing the service potential of the operational asset. ACAG believes that the IPSASB's definition of current operational value:

- is unclear. For example, it is not clear what 'value' means and whether this is an entry or an exit price. This makes it difficult to determine the objective of the measurement and the measurement technique that is appropriate
- should specifically refer to valuing the service potential of the asset rather than referring to the service delivery objectives
- will create additional problems and ambiguity in measuring public sector assets leading to different interpretations and practices by preparers, valuers and auditors.

Divergent jurisdiction's view

This jurisdiction accepts the IPSASB definition of current operational value with a suggested change to the definition for 'operational assets' to refer to 'assets that are not held primarily for their ability to generate net cash inflows'.

Current operational value guidance

ACAG does not believe that the current guidance is sufficient to measure operational assets using the current operational value. ACAG has identified the following issues with the guidance.

Costs included in current value

ACAG agrees that some costs (per paragraph B35 of ED 77) would not be included in an operational asset's value, however we think additional guidance is needed as replacing the service capacity or service potential of an asset can be an arbitrary judgement and there is little guidance on what this means, leading to different valuation outcomes. ACAG does not understand why the costs specified in paragraph B35(b),(c) and (d) have been specifically included as we believe there are more significant issues that require guidance such as 'greenfield' / 'brownfield' costs and modern equivalent asset.

ACAG believes that further guidance is required in the following areas.

1. The costs to include when a 'part' rather than the whole asset is replaced. In the public sector it is common for parts of an asset to be replaced rather than the whole asset. This may occur multiple times over the life of the whole asset. For example, a local government may replace the road surface, but to do so will incur significant costs removing and disposing of the original surface. It is not clear to what extent these costs should be included and their impact on the value of the whole asset? Is it appropriate for the value of the componentised asset to exceed the value of replacing the asset as a whole?

2. The day 2 issue of what happens when the day 2 'brownfield' cost is different to the day 1 'greenfield' cost and the requirements under IFRS 13 on day 1 valuation model differences to reset the day 2 value to the day 1 value. ACAG believes that when valuing the current cost of an asset, once-off 'greenfield' costs such as earthworks (such as for roads) should be included. ACAG also believes that the current cost for replacing an asset should be based on the costs to replace the asset in its current location and condition. This might include additional costs like disruption and diversion costs for roadworks, and extra costs for nightworks (to avoid disruption during peak use). Consequently, there will be an immediate increase in the current cost of an asset once it has been completed. The AASB and IPSASB need to address this issue. IFRS 13 paragraph 64 and its requirements on 'day 1' valuation differences between transaction price and valuation could be interpreted as requiring the calibrating of the model (fair value) to the construction price.

3. How to measure disruption costs and the likely elements that should be included. The inclusion of disruption costs is an area of significant judgment and insufficient guidance will lead to inconsistent interpretations and practice. A state sector entity responsible for roads indicated that they would not include in their road asset valuations the potential make-good costs that must be incurred for surrounding assets of another entity disturbed when the entity's asset is hypothetically replaced if such make-good costs were not actually incurred in the past.

4. Whether the CRC valuation of an asset held for service potential (e.g. a road asset or a building) should include the 'hypothetical' costs of removal and disposal of the existing asset (such as the debris from demolition). There are diverse views in the sector as some valuers in the local government sector advocate including these costs.

5. How embedded finance costs (such as those in assets acquired under public, private partnerships) that are separate to the reporting entity's borrowing costs should be treated.

Surplus Capacity and economic obsolescence

ACAG does not agree with the IPSASB's proposal that ED 77 should assume the asset is used to its full capacity subject to any tests for impairment. We believe the IPSASB should provide a more detailed explanation of why the value of an asset used to achieve the entity's service delivery objectives requires the asset to be measured as if it is being used to full capacity.

ACAG believes that the asset's service potential should be replaced which may not necessarily align with the asset being used to full capacity. The value of the asset should be adjusted for physical, functional and economic obsolescence as per paragraph B36. As stated in 'Loss of utility' below, economic obsolescence would include surplus capacity due to a permanent reduction in demand.

ACAG does not agree that in the example presented in BC 36 of ED 77 that a school that was originally built with a capacity of 500 students would automatically be replaced with a school with a 500 student capacity if there was an expectation that surplus capacity would continue in the future. If there is surplus capacity, building a school with a student capacity of 300 (including allowances for future capacity) would still meet the service delivery objective of providing education to children.

ACAG believes there is insufficient guidance in the ED and in IFRS 13 on how an entity would value the 300 student school. To obtain the valuation of a 300 student school does the entity need to obtain:

- a valuation for a 500 student school (with the current buildings) and then another valuation for a 300 student school to determine the adjustment for economic obsolescence (i.e. incur the cost of 2 valuations), or
- just one valuation of a 300 student school.

ACAG agrees with the alternative view in paragraph AV17 of ED 77. If an asset includes genuine surplus capacity that can be separated from the asset and the entity has made a decision to sell the surplus capacity, then the 'surplus' part of the asset should be treated as a separate unit of account and measured as an asset held for its financial capacity. There may be parts of assets that are not genuinely surplus, such as planned surge capacity that would be considered as part of the service capacity of the asset, as would land surrounding a rifle range or airport.

For example, if there is a school with surplus land capacity, the value to the entity is best represented by splitting the surplus land from the school. The value to the entity would be the cost to replace the service potential of the school (including the land used for the school) and the surplus land measured at fair value.

Loss of utility

ACAG does not believe the guidance is sufficiently clear on how a loss of utility should be treated and whether a loss of utility should be treated as surplus capacity or a reduction in the demand for services.

Paragraph C5 of the Implementation Guidance provides information on the modern equivalent asset which states that economic obsolescence could include changes in demand for services provided by the asset. Paragraph B18 and B32 of ED 77 refer to using a modern equivalent asset to estimate the current operational value. If a modern equivalent asset is used to estimate the current operational value, then economic obsolescence could include changes for the demand for services provided by the asset.

This is inconsistent with:

- paragraphs B10 and B11 which states that surplus capacity (which may be due to a drop in the demand for services) should not be adjusted when measuring the asset's current operational value
- paragraph B36(c) which mentions loss of utility, but not what a loss of utility may encompass.

Paragraphs 29 and 30 of IPSAS 21 'Impairment of non-cash generating assets' mentions a decline in services is only considered an impairment if there is a significant long-term decline in the demand or need for services and this has or is anticipated to have a long-term adverse effect.

Restricted operational assets

ACAG does not agree with the IPSASB's proposal that the current value of such restricted operational assets should never be lower than the current value of an unrestricted asset.

ACAG believes that a restriction, condition, characteristic of the asset that relates to its service potential should be considered in determining its replacement value. These aspects would include whether the land is contaminated, flood prone, inaccessible, freehold vs leasehold. The current wording can be interpreted as requiring (for example) flood prone land to be valued as non-flood prone land.

ACAG believes that further guidance is required on restrictions as there is no guidance currently available on how valuations should be approached when the following restrictions exist:

- physical restrictions that are natural rather than constructed, for example:
  - land under water (such as marine parks), old growth forests (such as national parks) that are not readily replaceable or cannot be relocated to an alternative location
  - cemetery land, where the issue is not only the legal restriction for use as a cemetery but involves human remains that cannot be moved to another cheaper location should the entity be required to ‘replace the service potential’
- restrictions relating to caveats attached to land (including land owned by either the state or local governments) because biodiversity rights have been sold through a biodiversity scheme and the land cannot be used for another purpose.

Majority ACAG view

The majority ACAG view is that in some circumstances, depending on the restriction, the current value of a restricted operational asset may have the same value as an unrestricted asset, for example, man-made assets such as specialised buildings and infrastructure. We do not agree that the value of land subject to a legal restriction is the same as unrestricted land and that a discount should not be applied. The IPSAB's views would represent a departure from the current practice and will have widespread ramifications across most, if not all, Australian jurisdictions at the local, state and Commonwealth government levels

Regarding land used for its service capacity, ACAG would prefer to retain the current practice in the majority of Australia's State government jurisdictions to treat the land as a non-specialised asset and therefore value it using the market approach taking into account any restrictions (i.e. a lower value than that of an equivalent unrestricted land asset).

If the restricted land's fair value was measured without a discount to the current price of equivalent unrestricted land, the measurement would lack comparability because it would depict different assets as having the same value.

The valuation method would also be heavily reliant on whether the asset is primarily held for its service potential. This may create other application issues to determine what the primary purpose of an asset is. Examples of such include assets that generate significant income streams, such as venues and stadia, toll roads where rights have not been sold under a service concession arrangement or have been reacquired, etc. For these assets, judgement is required to determine 'its primary purpose' which will inevitably lead to differing interpretations and application. This may lead to similar restricted assets being measured using different methods and consequently having different values.

ACAG believes that it would be more beneficial to provide guidance and examples on how restrictions should be applied to restricted assets such as land to reduce the divergent practices within the sector. Public sector entities and valuers are challenged with whether to apply a discount and if so, the quantum of that discount. This issue is exacerbated when there is a change in valuers and therefore the approach in relation to restrictions.

Divergent jurisdiction's view

This jurisdiction believes that any restriction, condition or characteristic that does not affect an asset's service potential (i.e. the asset must be used for a specific purpose for which is it currently used) should not reduce the value of an operational asset. The jurisdiction believes that the same approach should be used for land and any buildings or other improvements on that land.

This jurisdiction believes that a restriction, condition, or characteristic of the asset that may affect the replacement cost of its service potential should be considered in determining its current value. These aspects would include whether the land is contaminated, flood prone, inaccessible, freehold vs leasehold. The current wording can be interpreted as requiring (for example) flood prone land to be valued as non-flood prone land.

Specific Matter for Comment 7 – Appendix B (paragraphs B6–B7):
Do you agree the asset's current operational value should assume that the notional replacement will be situated in the same location as the existing asset is situated or used? If not, please provide your reasons, stating clearly why the asset should be measured at a different value.

ACAG agrees with the proposals in ED 77 and the AASB's tentative view that an asset's current value assumes that the entity will meet its service delivery objectives from its present location, unless the entity or government has decided to replace the asset in a different location or change the assets' use. Generally, there will be reasons precluding the move to another location such as a social policy decision / legal restriction / operational requirements that require the asset to be located in the current location.

Specific Matter for Comment 8 – (paragraphs B38–B39):
Do you agree the income approach is applicable to estimate the value of an asset measured using the current operational value measurement basis? If not, please provide your reasons, stating clearly why the income approach is not applicable for measuring current operational value. The Exposure Draft includes an Alternative View on current operational value.

ACAG agrees that the income approach can be an appropriate measurement technique in certain circumstances, in particular for-profit government business enterprises (GBEs) consolidated into whole of government financial statements, or in for-profit cash generating units (CGUs) within a NFP entity. In Australia, the income approach (fair value) is used for valuing specialised infrastructure assets of for-profit GBEs such as electricity and water.

ACAG does not agree with the examples presented in paragraph B38 of ED 77. In the Australian public sector, we would not use the income approach to value the costs to construct a school or to determine the value of cave paintings as a result of the tourism income received. Public sector entities would seek to obtain a reliable value for these assets using current replacement cost under IFRS 13. For NFP public sector entities, operational assets are generally specialised which means that the cashflows received from the asset are less than the service potential embodied within the asset. Using the income approach to value these assets might result in the asset's value not reflecting the remaining service potential. As stated above, in the public sector the income approach is primarily only used to measure infrastructure assets of for-profit entities or for-profit CGUs that earn a return on their assets. For not-for profit entities the current replacement cost method under the cost approach in IFRS 13 is used to value the service potential of the asset.

Specific Matter for Comment 9 – Appendix C (paragraphs C1–C89):
In response to constituents' comment letters on the Consultation Paper, Measurement, guidance on fair value has been aligned with IFRS 13, Fair Value Measurement (Appendix C: Fair Value). Do you agree the guidance is appropriate for application by public sector entities? If not, please provide your reasons, stating what guidance should be added or removed, and why.

ACAG agrees that the guidance is appropriate for assets held for their financial capacity.

Specific Matter for Comment 10 – Appendix D (paragraphs D1–D48):
In response to constituents' comment letters on the Consultation Paper, Measurement, guidance on cost of fulfillment has been aligned with existing principles in the Conceptual Framework and throughout IPSAS (Appendix D: Cost of Fulfillment). Do you agree the guidance is appropriate for application by public sector entities? If not, please provide your reasons, stating what guidance should be added or removed, and why.

ACAG has no specific comments.

Specific Matter for Comment 11:
Do you agree measurement disclosure requirements should be included in the IPSAS to which the asset or liability pertains and not in ED 77? If not, please provide your reasons, stating clearly where the measurement disclosure requirements should be included, and why.

ACAG has no specific comments.

Specific Matter for Comment 12:
Are there any measurement disclosure requirements that apply across IPSAS that should be included in ED 77, Measurement? If yes, please provide your reasons, stating clearly what the disclosures are, and why.

ACAG has no specific comments.

Specific Matter for Comment 13:
Do you agree current value model disclosure requirements should be applied consistently across IPSAS? For example, the same disclosure requirements should apply to inventory and property, plant, and equipment when measured at fair value. If not, please provide your reasons, stating clearly which IPSAS require more or fewer measurement disclosures, and why.

ACAG disagrees that the same disclosures should apply to inventory and property, plant and equipment (PPE). There is a need for more detailed information for PPE as it is generally a substantial portion of public sector entities balance sheets, and additional information is required on how these assets are valued. Inventory is usually not significant to the public sector, and therefore there is no need for the disclosures to be as comprehensive.

Specific Matter for Comment 14:
Do you agree with the proposal disclosure requirements for items remeasured under the current value model at each reporting date should be more detailed as compared to disclosure requirements for items measured using the current value model at acquisition as proposed in Appendix E: Amendments to Other IPSAS. If not, please provide your reasons, stating clearly why disclosure requirements should be consistent for recurring items and non-recurring items measured using the current value model.

ACAG has no specific comments.

Specific Matter for Comment 15:
Do you agree fair value disclosure requirements should include requirements to disclose inputs to the fair value hierarchy? If not, please provide your reasons, stating clearly why disclosure requirements for inputs in the fair value hierarchy are unnecessary.

The experience in Australia is that the disclosures in IFRS 13 were mainly designed for financial instruments, not the revaluation of PPE, in particular infrastructure assets. IFRS 13 requires the disclosure of significant inputs to the valuation. The AASB re-considered these disclosures for not-for-profit entities as a result of feedback following the implementation of AASB 13. The AASB agreed with the feedback that the costs of certain disclosures relating to significant inputs exceeded the benefits. As a result, the AASB provided relief[1] for NFP public sector entities with PPE assets that are not held primarily for their ability to generate net cash inflows from disclosing the following for fair value measurements categories within Level 3 of the fair value hierarchy:

- quantitative information about significant unobservable inputs for fair value measurements
- for recurring fair value measurements, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised
- sensitivity of the 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 fair value measurement.

[1] Paragraph Aus93.1 of AASB 13 'Fair Value Measurement'.