



**MINISTÈRE
DE L'ÉCONOMIE
DES FINANCES
ET DE LA RELANCE**

*Liberté
Égalité
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Le Président

**Conseil de normalisation
des comptes publics**

Paris, October 14, 2021

Mr Ross Smith
Technical director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft 78, *Property, Plant, and Equipment*

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Exposure Draft 78, *Property, Plant, and Equipment* published in April 2021 (ED78).

We commend the IPSAS Board for addressing and including both heritage and infrastructure assets in the future revised standard on Property, Plant and Equipment (PPE). We especially appreciate that heritage assets may sometimes be characterised by their indefinite useful lives; we believe that this is a huge improvement on accounting principles for heritage assets, and that this could address some measurement issues. Also, we agree that specific disclosure should be provided when heritage assets cannot be recognised on the balance sheet.

With respect to the restructuring from the Measurement project, we would broadly agree that the proposed changes provide for a future standard more focused on principles, with the exception of one paragraph though that we believe should be kept within the core text, that of the distinction between inventory and PPE when it comes to classifying spare parts. This is critical to us, especially for the inventory management of our Ministry of Defence.

With respect to the reference to the current value model, and while we agree that conceptually the introduction of the current operational value is the right path forward, we would question the need to retain fair value. This is because based on our experience in our jurisdiction, tangible assets are usually held by public sector entities for their operational capacity.

In addition, we strongly believe that the requirements on tangible assets in the public sector should consider situations where an asset, or a group of assets, is transferred for free from one public sector entity to another, with the specific mission to serve the public. In our jurisdiction, such transfers are accounted for at the carrying value of the asset, so as not to recognise a gain on an operational asset designed for public services.

Lastly, for consistency purposes, we would suggest that the future standard should be articulated carefully with the requirements on Natural Resources. At the moment, paragraph ED78.AG2 states that “*Some PPE are described as heritage assets because of their rarity [...] in relation to their [...] natural [...] features*”. A clear articulation between the two future standards is all the more important that, for instance, some very ancient rock formations could be considered both heritage and natural, and the accounting treatment should be consistent irrespective of the applicable IPSASs.

Responses to the detailed questions set out in the ED are presented in the appendix.

Yours sincerely,

Michel Prada

APPENDIX

Specific Matter for Comment 1

[Draft] IPSAS [X] (ED78), Property, Plant, and Equipment proposes improvements to the existing requirements in IPSAS 17, Property, Plant, and Equipment by relocating generic measurement guidance to [draft] IPSAS [X] (ED77), Measurement; relocating guidance that supports the core principles in this Exposure Draft to the application guidance; and adding guidance for accounting for heritage assets and infrastructure assets that are within the scope of the Exposure Draft.

Do you agree with the proposed restructuring of IPSAS 17 within [draft] IPSAS [X] (ED78)? If not, what changes do you consider to be necessary and why?

We overall agree with the proposed restructuring and with guidance relocation and additions.

Getting into more detail however, we note that former paragraph 17 on spare parts, stand-by equipment, and servicing equipment was moved to Application Guidance paragraph 16. The distinction between property, plant and equipment (PPE) and inventory is usually difficult especially when dealing with military assets. We would therefore suggest that AG16 should be relocated to the core text to help users.

Specific Matter for Comment 2 - §29-30

Do you agree that when an entity chooses the current value model as its accounting policy for a class of property, plant, and equipment, it should have the option of measuring that class of assets either at current operational value or fair value?

If not, please provide your reasons, stating clearly which current value measurement basis would best address the needs of the users of the financial information, and why.

In our jurisdiction, the main objective of the PPE standard is to account for tangible assets as used by the entity. This reflects particularly well in the determination of useful life or residual value: definitions of those terms explicitly refer to the entity's perspective. For this reason and because current operational value was introduced to fit tangible assets with operational capacity under a current value measurement model, we are of the opinion that current operational value would be more relevant than fair value.

In addition, when fair value is retained to reflect the financial capacity of a tangible asset under ED78, one could wonder how this would articulate with IPSAS 16, *Investment Property*. This is particularly critical as increases or decreases in the carrying amounts are accounted for differently.

Specific Matter for Comment 3 – §AG3

Are there any additional characteristics of heritage assets (other than those noted in paragraph AG3) that present complexities when applying the principles of [draft] IPSAS [X] (ED78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for heritage assets, and why.

We commend the Board for including heritage assets in the scope of the standard on tangible assets. Equally, we agree on the description of heritage assets through the three characteristics retained in paragraph AG3: this is a huge improvement on previous guidance, both for recognition and for measurement. We are particularly sensitive to the introduction of possible indefinite useful lives for such assets that reflect well their specificities for those assets that have been around for centuries.

Specific Matter for Comment 4 – §AG5

Are there any additional characteristics of infrastructure assets (other than those noted in paragraph AG5) that present complexities when applying the principles of [draft] IPSAS [X] (ED78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for infrastructure assets, and why.

Infrastructure are appropriately described and the characteristics well reflect the specific features of those assets.

Specific Matter for Comment 5 - §80-81 and §AG44-AG45

This Exposure Draft proposes to require disclosures in respect of heritage property, plant, and equipment that is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably.

Do you agree that such disclosure should be limited to heritage items?

If not, please provide your reasons, stating clearly the most appropriate scope for the disclosure, and why.

We understand that the proposal to disclose information is the consensus that best addresses the issue of the complexity of initial measurement for some old heritage assets in compliance with the Conceptual Framework's measurement principles. As such, we fully agree with the proposed requirements. However, we would have appreciated that the discussions on the use of the symbolic value be reflected in the BCs. That would help users to better understand the decision made to not retain the symbolic value.

Specific Matter for Comment 6 – §IG1-IG40

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for heritage assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on heritage assets are required, and why.

No further comments.

Specific Matter for Comment 7 - §IG1-IG40

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for infrastructure assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on infrastructure assets are required, and why.

No further comments.