Chartered Accountants Academy and Training and Advisory Services
Comment Letter on Exposure Draft 77-Measurement
The Technical Director
IPSASB Technical Director

25 October 2021

Dear Sir/Madam

Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS) Submission – Comment Letter on Exposure Draft 77- Measurement

In response to your request for comments for Exposure Draft 77, Measurement, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS & IPSAS and academics.
We are grateful for the opportunity to provide our comments on this project.
Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,
Nyasha Chakuma (CAA) Webster Sigauke (TAS)
Project Director CAA Project Director (TAS)

Project team:

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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.

Yes, we agree.

Because this will help achieve the objective of faithful presentation of financial information. Public sector entities may receive or buy goods at a price that does not reflect the market denominated cost (e.g., subsidised goods) and as such the amount above the cost actually paid will be recorded as additional income with the prescribed treatment.

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.

Yes, we agree.

Because a year-on-year change between the two options will reduce the comparability of the financial statements leading to unreasonable fluctuations of financials.
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.

Yes, we agree.

Additionally, the guidance should state that they should use the higher of the 3 options to make it more precise on the choice available.

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.

Yes, we agree.

Specific Matter for Comment 5— (paragraph 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.

Yes, we agree.
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.

Yes, we agree. Because the public sector is driving that value and due to their objective only meet that amount

However, it can lead to issues when the asset is disposed as it will have a low value as compared to what alternate market players may pay for it. This is because the service potential for that asset may not meet the general market price. The difference between the current operational value and the market related cost will likely lead to an abnormal profit/loss on disposal.

A disclosure of the difference between the current operational value and the market related cost/fair value would aid in the process.

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.

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.

No, we do not agree.

Because the cash flows form the public sector are not reflective to the assets price in the market as they may be subsidised to meet service delivery. Therefore, not appropriate.

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.

Yes.

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 fulfilment has been aligned with existing principles in the Conceptual Framework and throughout IPSAS (Appendix D: Cost of Fulfilment). 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.

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.

Yes, we agree.

This is so that the follow assets of each similar nature for more precise and understandable information. So, they go hand in hand to avoid confusion

**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.

No, we do not agree.

As they would have been included in each specific IPSAS so may come off as repeating.

**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.

Yes, we agree

**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.

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.

Yes, we agree.

To enhance the transparency of the information presented in the financial statements