

Ian Carruthers
Chairman
International Public Sector Accounting
Standards Board
International Federation of Accountants

Submitted via website

25 October 2021

Comments to IPSASB's ED 79 "Non-current Assets Held for Sale and Discontinued Operations"

Dear Mr. Carruthers,

We are pleased to contribute to the improvement of the IPSASB's ED 79 "Non-current Assets Held for Sale and Discontinued Operations" by responding to the following specific matter for comment:

The IPSASB decided that there was no public sector specific reason to depart from the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. However, the IPSASB considers that, where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes. The additional proposed disclosure is shown at paragraph 52 of this ED. Do you agree with this disclosure proposal? If not, why not?

We disagree with the proposal because in the public sector it is common that the carrying amount is determined according to the historical cost model. Therefore, it is very likely that the carrying amount is lower than the fair value. If the non-current assets held for sale are measured according to the lower amount, there is an incentive for entities to sell the asset at a lower price than its fair value, having a negative impact in the economic benefits for the entity. The sole disclosure requirement is not enough for accountability purposes because the information might be obscured with information overflow arising from disclosures required by other standards. Furthermore, it is not clear whether the new disclosure refers only to the fair value itself, or includes the full range of disclosure requirements for fair value, such as the level of the fair value hierarchy (para. 56). If para. 56 is also applicable, even if preparers measure the assets at their carrying amount, they would need to make the efforts to prepare the detailed disclosures related to the estimation of the fair value.

Therefore, we suggest to narrow down the measurement requirements in IFRS 5 and define that non-current assets held for sale shall be measured according to their fair value.

Should you need any further information, please do not hesitate to contact us.

Sincerely,



Thomas Müller-Marqués Berger
Partner and Global Leader of Public Sector Accounting

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft