



September 30, 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: Comments on ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*. Our responses to the specific questions raised in the ED as well as other comments on the ED are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaidda via email at:

a.alhomaidda.kfa@mof.gov.sa.

Yours sincerely,

Abdullah Al Mehthil
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The Ministry of Finance
Riyadh, Saudi Arabia



Appendix 1 – Comments on 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?

We agree.

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?

We agree.

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? The Exposure Draft includes an Alternative View on current operational value.

We generally agree with introducing current operational value as a measurement basis for assets. However, we support the Alternative Views to ED 76 and ED 77 by IPSASB members Mr. Todd Beardsworth and Mr. Mike Blake in regard to the definition of current operational value, the use of the income approach for measuring current operational value, and lack of clarity about accounting for surplus capacity under current operational value; and recommend that the concerns and proposals expressed in these views should be fully addressed before the suite of draft standards ED 76 – ED 79 are finalized.

Specific Matter for Comment 4:

It is proposed to substitute a general description of value in use (VIU) in both cash-generating and noncash-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?

We agree.



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?

We agree.

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?

- We suggest retaining net selling price/net realizable value because it is relevant for inventories.
- We suggest retaining cost of release because it is relevant for provisions and financial liabilities. Also, ED 76 still makes references to it in paragraph 7.73.
- We suggest retaining assumption price because it is relevant for public sector financial institutions (development banks and funds) that take on liabilities at concessionary rates, for example by issuing guarantees to commercial banks to facilitate lending to businesses and individuals.



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?

1. Paragraph 7.5 states, “On initial measurement an item is measured at its transaction price¹, unless the transaction price does not faithfully present relevant information about the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.” We suggest adding a note that IPSASs identify other elements of cost besides the transaction price.
2. One editorial comment: there is an “s” immediately after the colon in paragraph 7.16.

¹ Transaction price is the price paid to acquire an asset or received to assume a liability.