



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 77, *Measurement*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 77, *Measurement*. 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 Alhomaida via email at:

a.alhomaida.kfa@mof.gov.sa.

Yours sincerely,

Abdullah Al Mehthil  
Head of the Public Sector Accrual Accounting Center  
The Ministry of Finance  
Riyadh, Saudi Arabia



## **Appendix 1 – Comments on 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.

[We agree.](#)

### **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.

[We agree.](#)

### **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.

[We agree.](#)

### **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.



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.

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 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.

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 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.



We agree.

**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.

As noted in ED 76, current operational value “focuses on the value of an asset in supporting the achievement of an entity’s service delivery objectives” and “does not provide information on an asset’s ability to generate economic benefits or the amounts that would be received on its sale”. Therefore, we support the Alternative View to ED 77 as the income approach is not conceptually appropriate for measuring current operational value.

**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.

We agree.

**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.

We agree.

**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.

We suggest that measurement disclosure requirements be consolidated into the final IPSAS on measurement, similar to IFRS 13, because they directly relate to the application of the specific requirements in ED 77. This should also efficiently serve the purpose. Repeating the requirements across IPSASs, on the other hand, would have the disadvantages of making future revisions more effortful and less manageable, and possibly causing confusion with respect to applicability (for example, disclosures pertaining to recurrent fair value measurement are applicable to inventories that are excluded from the measurement requirements of IPSAS 12 but are not applicable to inventories that are measured in accordance with IPSAS 12).

**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.

The proposed current value measurement disclosures are focused on fair value with no disclosure requirements proposed for current operational value. We suggest adding disclosure requirements for current operational value comparable to the fair value disclosures where appropriate.

**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.

We agree that the same disclosure requirements should apply where applicable. However, for the reasons noted in the answer to question #11, we suggest that measurement disclosure requirements be consolidated into the final IPSAS on measurement.

**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.

We agree.

**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.

We agree.

**Other Comments:**

1. Proposed current value amendments to IPSAS 16 and IPSAS 31, arising from ED 77, keep fair value in focus and are silent regarding current operational value, signaling that fair value is the only appropriate measurement basis for investment property and intangible assets under the current value model. This is again suggested in respect of investment property by the proposed amendments to paragraph 10 of IPSAS 21 and IPAS 26 respectively. We recommend adding guidance to IPSAS 16 and IPSAS 31 clarifying the IPSASB's position on whether current operational value can be appropriate for investment property and intangible assets.
2. Based on the same logic behind the introduction of "current operational value" as a replacement to "replacement cost" and an alternative to "fair value" in subsequent measurement, and given that "current operational value" is an entry value, we encourage the IPSASB to:
  - Reconsider the retention of replacement cost in IPASs 12, 16 and 33.
  - Consider making current operational value an alternative to fair value in measuring deemed cost and in initially measuring non-monetary assets acquired in non-exchange transactions, where the intention is to carry the assets at revalued amounts being their



current operational values less any accumulated depreciation and any accumulated impairment losses.

3. Proposed amendments to other IPSASs arising from ED 77 include replacing the term “revaluation model” with the term “current value model”. We suggest retaining the term “revaluation model” because under ED 76 and ED 77 the current value model denotes unadjusted fair value or current operational value, while the revaluation model has traditionally meant fair value (now either value) less any accumulated impairment losses and any accumulated depreciation.
4. We suggest including implementation guidance and examples on the selection of measurement bases and measurement techniques under the current value model to illustrate on the related concepts and requirements.