



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)

October 27, 2021

Mr. Ian Carruthers  
Chairman,  
International Public Sector Accounting Standards Board,  
The International Federation of Accountants,  
277 Wellington Street West,  
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

**Sub: Comment on Exposure Draft 76, *Proposed Update to Conceptual Framework: Chapter 7, Measurement of Assets and Liabilities in Financial Statements***

We are pleased to provide comments on the Exposure Draft 76, *Proposed Update to Conceptual Framework: Chapter 7, Measurement of Assets and Liabilities in Financial Statements* issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the Exposure Draft 76 are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

(CA. Dheeraj Khandelwal)  
Chairman, Committee on Public &  
Government Financial Management  
The Institute of Chartered Accountants of India  
Ph: 011-30110459 (CP&GFM Secretariat)  
E-mail Id: [caslb@icai.in](mailto:caslb@icai.in); [cpf.aslb@icai.in](mailto:cpf.aslb@icai.in)

Encl.: As above



**Annexure**

**Comments on Exposure Draft 76, Proposed Update to Conceptual Framework:  
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?**

**ICAI's views:**

We agree with the IPSASB proposal of three-tier measurement hierarchy for subsequent measurement of assets and liabilities, i.e., Measurement Models, Measurement Bases, and Measurement Techniques.

However, it is suggested to cover the concept of symbolic/nominal value (i.e., one unit of the presentation currency) appropriately in the draft even though it does not meet the measurement objective because they do not provide relevant information on financial capacity, operational capacity, or the cost of services because in some jurisdictions where it is difficult to obtain valuation of assets, such assets are being recognised in the Statement of Financial Position at symbolic/nominal value. Such suggested valuation does not require measurement as such and enable the entity to recognise the assets in their books and facilitate a linkage between asset management and accounting processes.

**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?**

**ICAI's views:**

We agree with the IPSASB proposal of including the definition of "fair value" in ED 76 similar to IFRS 13. The IPSASB considered that the fair value is the current value measurement basis that best meets the measurement objective where assets are held for financial capacity and for determining the amount of a liability that can be transferred to a third party under current market conditions and this measurement basis is based upon "non-entity-specific" and 'highest and best use' market-based assumption.



**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.**

**ICAI's views:**

We agree with the IPSASB proposed inclusion of current operational value as a measurement basis for assets in the Conceptual Framework as explained in ED 76. However, we are not in favour of alternative view on current operational value as explained in ED 76.

As the relevance of fair value in the public sector is likely to be primarily limited to providing information on financial capacity, rather than on providing information on operating capacity and the cost of services. In that scenario, the current operational value would be useful as it best meets the measurement objective where assets are held for operational capacity and is focused on the current value of assets and their service potential to the entity. Apart from this, current operational value is entity specific as compared to fair value that is non-entity specific value.

**Specific Matter for Comment 4:**

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

**ICAI's views:**

We do not agree with the IPSASB proposal of inclusion of the guidance on value in use in the Conceptual Framework as value in use is applicable for the assessment of impairment only that should be dealt specifically in Impairment Standards (IPSAS 21, 'Impairment of Non-Cash-Generating Assets' and IPSAS 26, 'Impairment of Cash-Generating Assets'). Conceptual Framework is supposed to cover generic guidance on measurement as mentioned in the draft.

**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?**

**ICAI's views:**

We agree with the proposed deletion of measurement basis namely market value (for assets and liabilities) and replacement cost (for assets) due to following reasons:

In place of 'market value', the introduction of the concept of 'fair value' align with the IFRS 13 seems appropriate for measurement of assets and liabilities.

The deletion of the concept of 'replacement cost' for measurement of assets seems appropriate as in case of some assets, this basis would not be useful such as in case of heritage asset where "irreplaceability" is one of the characteristics of the heritage assets and replacement of any heritage asset would result in losing its significance as a heritage asset, and it would also be difficult to determine replacement cost in the case of specialised asset/infrastructure assets in the public sector.

**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?**

**ICAI's views:**

We agree with the proposed deletion of measurement basis namely net selling price (for assets) and cost of release & assumption price (for liabilities) due to following reasons:

Net selling price and net realisable value are very similar and may be specified at the standards-level, for e.g., in IPSAS 12, 'Inventories' (refer paragraph BC7.36).

The concept of cost of release does not seem relevant in the context of public sector as it is relatively unusual for the entities to obtain release from liabilities, rather than fulfilling them (refer paragraph BC7.66).

The concept of assumption price does not seem relevant in the context of public sector as the number of occasions in which public sector entities would accept a monetary amount for assuming a liability are limited, albeit, potentially material. In such circumstances fair value is likely to be a more appropriate measurement basis (refer paragraph BC7.64).



**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?**

**ICAI's views:**

The concept of symbolic/nominal value may be considered to be dealt in the draft (please refer our response to Specific Matter for Comment 1).

**Other Comments:**

- Some typo errors are as follows that needs to be corrected appropriately:
  - Paragraph 7.16: "s" is coming extra at the end of first line.
  - Paragraph BC7.39: replace the term "value is use" with "value in use" in the second line.
  - Paragraph BC7.65 mentions IPSAS 19.44/19.45, paragraph numbers should be mentioned separately.
  - Paragraph BC 7.70, replace "he entity's own credit risk" with "the entity's own credit risk" in the second last line.