



**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 77, 'Measurement'**

We are pleased to provide comments on the Exposure Draft 77, 'Measurement' issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC). Our comments on the Exposure Draft 77 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



**Comments on Exposure Draft 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.

**ICAI's views:**

ED 77 prescribes to initially recognise an item at its transaction price (i.e., the price paid to acquire an asset or received to assume a liability) unless specified otherwise. It is also suggested to prescribe guidance in the main draft with regard to initial measurement where the 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. As of now, paragraph BC18-19 prescribes to measure it at deemed cost that is calculated using a current value measurement model to approximate the value of the asset or liability on the transaction date. Paragraph 10 prescribes to measure the transactions not undertaken in orderly market at deemed cost but the linkage of the same with paragraph 7(a) has not been done.

Apart from this, in case of an asset where it is difficult to obtain valuation of assets, the option of recognising such assets at symbolic/nominal value (i.e., one unit of the presentation currency) may be considered to be covered in the draft that does not require measurement as such but will be helpful in asset management. Subsequent measurement requirements should not apply in case of such assets.

**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.

**ICAI's views:**



Subject to our response to Specific Matter for Comment 1, we agree with the subsequent measurement requirement prescribed in the draft to make an accounting choice to measure an asset or liability at historical cost or at its current value unless otherwise required by the relevant IPSAS.

**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.

**ICAI's views:**

We agree with the guidance on historical cost provided in ED 77 and its Appendix A. However, it is suggested that the guidance with regard to the transaction cost should also be provided appropriately in Appendix A. As of now, the paragraphs 14 and 49-53 deal with the transaction costs in case of initial measurement and subsequent measurement, respectively.

This ED is supposed to cover the Application Guidance for the most commonly used measurement bases that are generic in nature to be applied across the IPSAS suite of standards. Transaction specific measurement guidance will be dealt with in the individual standards providing accounting requirements and guidance for assets and liabilities. Making the application guidance generic will also led to alignment of all standards avoiding conflicting positions that may be subject to varying interpretations and applications.

**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.

**ICAI's views:**

We agree that no measurement techniques are required when applying the historical cost measurement basis in subsequent measurement. The said cost is subject to depreciation, impairment and other adjustments as specified in paragraphs 46-48.

**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.***

**ICAI's views:**

We agree with the IPSASB proposed definition of the current operational value as the value of an asset used to achieve the entity's service delivery objectives at the measurement date. Further, we are not in favour of alternative view on current operational value as covered in ED 77.

As the relevance of fair value (non-entity specific value) in the public sector is likely to be primarily limited to providing information on financial capacity, rather than on operating capacity and the cost of services. In that scenario, the current operational value (entity specific 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 that leads to achievement of service delivery objective.

**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.**

**ICAI's views:**

We agree with the IPSASB proposed definition of current operational value and the accompanying guidance and the same seems appropriate in the context of public sector entities (please refer our response to Specific Matter for Comment 5).

**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.**

**ICAI's views:**

We agree with the IPSASB proposal that the asset's current operational value assumes that the entity will continue to meet its service delivery objectives from the same location where the asset is currently



situated or used. As current operational value is entity specific entry price that is determined considering market inputs and current market conditions.

**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.***

**ICAI's views:**

We agree with the income approach that is applicable to estimate the value of an asset measured using the current operational value measurement basis. Further, we are not in favour of alternative view on current operational value as covered in ED 77. (Please refer our response to Specific Matters for Comment 5-7)

**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.**

**ICAI's views:**

We agree with the fair value guidance provided in ED 77 that has been aligned with IFRS 13 taking into account public sector financial reporting needs and the special characteristics of the public sector and the same seems appropriate for application by public sector entities.

Fair value is an appropriate measurement basis (i.e., an entity specific entry price) when the asset is held, or the liability incurred, primarily for its financial capacity.

**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.**

**ICAI's views:**

The cost of fulfillment is the cost that the entity will incur in fulfilling the obligations represented by the liability. The price used to measure the cost of fulfilling the liability shall not be adjusted for transaction costs incurred to enter into the transaction but includes transaction costs that are expected to be incurred in settling the liability, i.e., exit-based (future outflow of resources).

We agree with the guidance on cost of fulfillment provided in ED 77 that has been aligned with the existing principles in the Conceptual Framework and throughout IPSAS and the guidance seems appropriate for application by public sector entities.

**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.**

**ICAI's views:**

We agree that the measurement disclosure requirements should be included in the respective IPSAS to which the asset or liability pertains and not in ED 77 as this ED is supposed to cover the Application Guidance for the most commonly used measurement bases that are generic in nature to be applied across the IPSAS suite of standards. Transaction specific measurement guidance along with transaction specific measurement disclosure requirements will be dealt with in the individual standards providing accounting requirements and guidance for respective assets and liabilities, e.g., fair value (sensitivity, source).

**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.**

**ICAI's views:**

As mentioned in our views expressed at Specific Matter for Comment 11, we disagree to incorporate any measurement disclosure requirements in ED 77 that applies across IPSAS rather it should be included in the Individual IPSAS to which the asset or liability pertains.



**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.**

**ICAI's views:**

We agree that the current value model disclosure requirements should be applied consistently across IPSAS. For example, the same disclosure requirements should apply to inventory (Appendix E: Amendments to Other IPSAS) and property, plant, and equipment (ED 78, '*Property, Plant and Equipment*') when measured at fair value and the same have been covered appropriately in the Individual Standards and not in ED 77 that is supposed to cover only generic application guidance on measurement.

Some additional disclosure requirements have also been incorporated in Individual Standards in Amendments to IPSAS (portion of ED 77) wherever seems relevant by IPSASB. For example, Standards on Financial Instruments provides additional disclosure requirements in respect of transfer in between levels of fair value hierarchy.

**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.**

**ICAI's views:**

We agree with the proposal that the disclosure requirements for the items remeasured under the current value model at each reporting date should be more detailed as compared to disclosure requirements for the items measured using the current value model at acquisition as proposed in Appendix E: Amendments to Other IPSAS.

Apart from this, Appendix E at various places prescribes disclosure requirements such as Amendments to IPSAS 12, '*Inventories*' & IPSAS 16, '*Investment Property*' and in ED 78, '*Property, Plant and Equipment*' that "*an entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate*". In order to maintain uniformity in the presentation and ensure comparability of the financial statements of the entities, it is suggested to prescribe illustrative formats for guidance.



**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.**

**ICAI's views:**

We agree that the fair value disclosure requirements should include the requirements to disclose inputs to the fair value hierarchy including the valuation technique and the inputs used to develop measurement basis. The same is in line with the disclosure requirements of IFRS 13.

**Other Comments**

- Some typo errors are as follows that needs to be corrected appropriately in **Amendments to Other IPSAS (Appendix E)**:
  - Paragraphs 30F (page no. 99) mentions reference of IPSAS41.AG1430 and paragraph 23F (page no. 118) mentions reference of IPSAS41. AG143: paragraph numbers should be mentioned separately from IPSAS no.