



Exposure Draft 76: Conceptual Framework Update: Chapter 7,  
Measurement of Assets and Liabilities in Financial Statements

## **Response from the Public Accountants and Auditors Board (PAAB), Zimbabwe**

21 October 2021

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Further information about PAAB can be obtained at [www.paab.org.zw](http://www.paab.org.zw)

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**ED : Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements**

PAAB is pleased to present its comments on this Exposure Draft, which have been reviewed by PAAB's Public Sector Accounting Standards Committee (PSASC).

**Response to Specific Matters for Comment**

Detailed comments on the Specific Matters for Comment are provided in the attached Annex.

We hope this is a helpful contribution to IPSASB's work in this area.

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## Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements

### Specific Matter for Comment 1

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?

PAAB to a large extent supports the proposal but we recommend the following be considered to improve how the hierarchy could be used in preparing and using financial statements:

- a. In line with our comment on SMC 2 on ED 77 our view is that a third model which is current cost should be included. We are of the view that current cost does not necessarily fit in historical costs or in current value. Value and Costs are different concepts which are driven from different perspective and including a cost driven measurement basis under current value may be misleading. Current cost may be relevant because current cost reflects the cost at which an equivalent asset could be acquired or created at the measurement date or the consideration that would be received for incurring or taking on an equivalent liability. Like historical cost, current cost provides information about the cost of an asset consumed or about income from the fulfilment of liabilities. Unlike historical cost, current cost reflects prices prevailing at the time of consumption or fulfilment. When price changes are significant, decisions based on current cost may be more useful for predicting future impact of those decisions than historical cost. Unlike current value which would consider an asset as a system with inputs and outputs thus captures intangibles, current cost may not necessarily be able to include intangibles which come with operating an asset in a certain way but is more concerned with cost to replace or reconstruct the asset.
- b. Secondly the classification of measurement bases for assets as entity-specific or non-entity specific is too generalised and may therefore incorrectly be interpreted as meaning that historical costs and current operational values can therefore not be compared across entities. Historical costs and current operational values are not purely discretionary and are based on principles and thus cannot be overly generalised as entity specific. For example, the historical costs of a motor vehicle is guided by what costs should be

capitalised and what should not be capitalised which is driven from the specific standard. In some instances, whether the measurement basis is entity specific or not is driven by the nature of the asset itself rather than the measurement basis for example a Heritage asset due to its non-fungibility nature is likely to have entity specific value rather than non-entity specific value. It is our view that for both Current Operational Value and Historical cost we include them as both Entity specific and Non-entity specific.

#### **Specific Matter for Comment 2**

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?

PAAB supports the proposals and believe that assets and liabilities where the measurement basis is fair value should not depart from the IFRS principles (i.e achieving transaction neutral approach).

**Specific Matter for Comment 3**

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 agree to the proposal as the current operational value is a very applicable in the public sector as it is aligned to the objective of service potential measurement

**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 to the proposal

**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 to the proposal

**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 agree to the proposal

**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?

We agree to the proposal although there maybe need to provide an underpinning in the conceptual framework for other measurement basis e.g Net realisable value for inventory