



IFRS Foundation

Columbus Building, 7 West ferry Circus

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United Kingdom

25 October 2021

Dear Sir/Madam,

**Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS) Submission -
Commentary on EXPOSURE DRAFT 76, CONCEPTUAL FRAMEWORK UPDATE: CHAPTER 7,
MEASUREMENT OF ASSETS AND LIABILITIES IN FINANCIAL STATEMENTS**

In response to your request for comments on Exposure Draft EXPOSURE DRAFT 76, CONCEPTUAL FRAMEWORK UPDATE: CHAPTER 7, MEASUREMENT OF ASSETS AND LIABILITIES IN FINANCIAL STATEMENTS, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS and IPSAS specialists and academics in Zimbabwe.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

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Question & Responses

Question 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 with the measurement hierarchy i.e., the three-tier hierarchy as it helps meet the measurement objectives at a conceptual level which is to reflect the cost of services, operational capacity, and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes. However, applying current operational value basis is not appropriate for assets like Heritage as they are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.

Question 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 with the Fair Value measurement as it depicts the market value of an asset or liability. However, the Fair Value measurement is only limited to non-entity specific assets or liabilities. Also, Fair Value measurement is not an appropriate measurement for assets held primarily for their operational capacity, as is often the case in the public sector, since the following concepts do not apply: (a) Highest and best use; and (b) Maximizing the use of market participant data.

Question 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?

We agree with the proposal to include current operational value as a measurement basis as it supports an entity in achieving its service delivery objective.

However, it does not support the other measurement objectives such as the financial capacity of an entity since it assumes an asset will be used throughout its useful life.

Question 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 to substitute a general description for Value in use because the applicability of VIU is limited to impairments.

Question 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 with the proposal. Looking at the market value, we see that this has been modified to or replaced by Fair Value using the IFRS 13 definition. The Fair value is appropriate where the asset is being held primarily for its ability to generate economic benefits or with a view to sale unlike the Market Value which is particularly appropriate where the asset is being held with a view to sale only. The Replacement cost is also now incorporated in the Fair Value which assumes the asset is also held with a view of sale, thus it can be deleted.

Question 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 with the proposal. Net selling price is not appropriate as a measurement basis if the entity is able to use its resources more efficiently by employing the asset in another way, for example by using it in the delivery of services, thus it becomes redundant. Cost of release is relevant only when the most resource-efficient course is to seek immediate release from an obligation. The disadvantage of using an assumption price is that, stating performance obligations at the assumption price means no surplus will be reported at the time the obligation is taken on.

Question 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?

No