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Swiss Comment to

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

Dear Ross,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments for the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Comments to ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed the ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements.

2. General Remarks

In Switzerland the IPSAS Conceptual Framework is used by the federal (central) government only for interpretation purposes and is not considered as binding. At the level of decentralised governments and especially within the *Harmonised Accounting Model for the Swiss Cantons and Municipalities HAM2*) there is no explicit relationship to this IPSAS Conceptual Framework¹. For this reason the deletion of certain terms in the IPSAS Conceptual Framework does not create a problem for the Swiss public sector. The SRS-CSPCP points out, however, that certain countries have made the IPSAS Conceptual Framework binding and for these countries, deletion of certain terms could have disadvantageous consequences.

3. 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?

The SRS-CSPCP is of the opinion that this diagram is rather an overview (classification) than a hierarchy or decision tree. Furthermore it adds that it is important to maintain the terminology consistently. For example, when referring to methods the word *techniques* should systematically be used and not *approach*. Approach should be reserved for *models*.

4. 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?

The SRS-CSPCP agrees with this statement.

¹ In Switzerland's federalist structure, public finances and accounting policy matters are managed autonomously by the cantons. Concretely, each canton establishes its own Financial Management Act of Parliament (FMAP) defining its fiscal organisation and process, as well as the standards required for preparing and presenting its budget and financial statements.

The intercantonal Conference of Cantonal Finance Ministers has successively designed two Harmonised Accounting Models (HAM1 and HAM2) and offered them to the cantons. However it has no power to impose policy, only recommend. Therefore, the cantons were free to adopt HAM and to how much they would conform. HAM2 was released in 2008. It generally follows IPSAS's principle and includes all IPSAS presentation requirements and most of the recognition requirements. However, on some points these standards offer the cantons alternative and less stringent accounting policies.

5. 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.

As already mentioned in its response to SMC 5 and SMC 8, the SRS-CSPCP supports the Alternative View to the *COV Approach*. It is of the opinion that *replacement cost* should be used as a measurement technique to measure assets.

6. 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?

The SRS—CSPCP agrees with this view.

7. 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?

In the light of its general remarks on ED 76, the SRS-CSPCP is in agreement with the deletion of the term «*market value for assets and liabilities*». However the term «*replacement cost*» should be retained, because it can still be used.

8. 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?

Still in the light of the general remarks on ED 76, the SRS-CSPCP agrees with the deletion of the term «*Net selling price*». For the two other expressions (Cost of release; Assumption price), however, the situation is different. The SRS-CSPCP points out that liabilities were so far scarcely mentioned in the discussion. It is, therefore, quite possible that both concepts may be used as far as liabilities are concerned. Thus, it is better to retain both in the IPSAS Conceptual Framework.

9. 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?

The SRS-CSPCP wonders under what approach the *Equity Accounting* in IPSAS 36 falls and wishes that this question be discussed and decided by the IPSAS Board.

Lausanne, September 23, 2021