

October 29, 2021

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: Draft Response to Exposure Draft 79, *Non-Current Assets Held for Sale and Discontinued Operations*

Thank you for the opportunity to provide input on Exposure Draft 79 (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*.

Overall, PSAB is supportive of the proposals in ED 79, *Non-current Assets Held for Sale and Discontinued Operations*. The comments set out in this letter are the views of PSAB. PSAB agrees with the following proposals:

- In circumstances where non-current assets (or disposal groups) are classified as held for sale and measured at a lower carrying amount, an entity shall disclose the fair value of these assets to provide more useful information to users of financial statements, enhancing transparency and accountability.
- If an asset (or disposal group) classified as held for sale or as held for distribution to owners no longer meets the requirements to be classified as such, an entity should disclose the decision to change the plan, its specific facts and circumstances and related impact on the results of operations.
- Fair Value Disclosure requirements consistent with IFRS 13, *Fair value Measurement* should also be applied to non-current assets (or disposal groups). PSAB suggests these requirements should be expanded to also apply to non-current assets (or disposal groups) that are measured at a materially lower carrying amount than fair value.

We hope that you find the comments helpful. Please note that we did not receive any stakeholder feedback on this Exposure Draft.

Kind regards,

Clyde MacLellan
Chair, Public Sector Accounting Board

On behalf of the Public Sector Accounting Board (PSAB)

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RESPONSES TO SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

The IPSASB decided that there was no public sector specific reason to depart from the measurement requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. However, the IPSASB considers that, where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes.

The additional proposed disclosure is shown at paragraph 52 of this ED.

Do you agree with this disclosure proposal? If not, why not?

PSAB Response

PSAB agrees with the disclosure proposal that is shown at paragraph 52 as this additional information would help users to better understand the likely outcome of a decision to sell non-current assets by a public entity while enhancing transparency and holding public sector entities accountable to act in the public interest.

Regarding possible clarifications and additions, we note the following:

- Paragraph 52 requires disclosure of the fair value of non-current assets (or disposal groups) that are measured at a materially lower carrying amount than fair value:

“52. An entity shall disclose in the notes, the fair value of the non-current asset (or disposal group) classified as held for sale when that non-current asset (or disposal group) is measured at a materially lower carrying amount than fair value”.

Paragraphs 54-56 outline disclosure requirements consistent with paragraphs 91-93 of IFRS 13, *Fair Value Measurement*. However, PSAB suggests the IPSASB consider the applicability of the disclosures in ED 79 paragraph 56. For example, whether the fair value disclosures outlined could or should also apply to non-current assets (or disposal groups) that are measured at a materially lower carrying amount than fair value.

Currently paragraph 56 reads as follows:

“56. To meet the objectives in paragraph 54, an entity shall disclose, at a minimum, the following information for each class of assets and liabilities measured at fair value (including measurements based on fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:

The underlined sentence above does not include non-current assets (or disposal groups) classified as held for sale that are measured at a materially lower carrying amount as intended by paragraph 52.

It is unclear if the fair value disclosure requirements in ED 79 paragraphs 54-56 apply to all non-current assets, regardless of how they are measured (fair value or lower carrying amount). If

measured at fair value, disclosures are mandated by paragraph 56. If measured at a materially lower carrying amount than fair value, more limited disclosures are mandated by paragraph 52. It is also unclear if disclosures required by paragraph 52 should follow the minimum requirements set out in paragraph 56. If not, what are the minimum disclosure requirements to meet the paragraph 52 objectives: just the fair value of the non-current asset (or disposal group)?

PSAB is of the view that paragraph 56 disclosure requirements should be extrapolated to non-current assets that are measured at a materially lower carrying amount as these requirements provide meaningful information about the relative subjectivity of the fair value measurement required to be disclosed. We realize that some public sector entities might find that it is impractical to disclose the level of the fair value hierarchy when an asset or a liability is classified as held for sale because of the nature of public sector transactions. However, for a sale to be highly probable and meet the criteria for recognition “the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value” (paragraph 13). So, in most cases, the information to meet the disclosure requirements should be available.

- Paragraph 56 (e) introduces the concept of highest and best use of a non-financial asset, but the term has not been defined in the context of ED 79 nor is any reference included to ED 77, where the term is defined. We suggest cross-referencing to where the concept is described would help in applying the ED 79 proposed standard.
- IPSAS 1 defines the term “material”. However additional clarification might be needed to help stakeholders understand the concept of “materially lower”. PSAB acknowledges that determining whether or not an entity should disclose the fair value of non-current assets classified as held for sale measured at a materially lower carrying amount than fair value requires judgement and consideration of all relevant facts and circumstances. Therefore, we suggest the IPSASB could provide more guidance on how to make that determination.
- For consistency purposes, IPSASB might want to standardize use of the term “measurement techniques” as it seems to be used interchangeably with “valuation techniques” in ED 79 (paragraphs 54 and 56 (c)). This might create unnecessary confusion for stakeholders. In case the terms are not being used interchangeably and different meanings are intended, it would be helpful to clearly define them and outline the differences. If the terms mean the same thing, we suggest use of “measurement techniques” as this is the term proposed in the revisions to the conceptual framework in ED 76 and in establishing the new measurement standard in ED 77.
- Although assets for distribution to owners is in scope of ED 79 (paragraph 7) and the measurement requirements are specified in paragraph 23, the Additional Disclosures section is silent on disclosure requirements regarding assets for distribution to owners. IPSASB also might want to consider the need to specify if the disclosure requirements are also applicable to non-current assets held for distribution as it is not clear in ED 79.

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Discontinued Operations

- IPSASB also might want to consider including examples in the implementation guidance of the minimum requirements for fair value note disclosures described in paragraph 56 to level set the expectations of financial statements preparers.