



Republic of Kenya



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### **IPSASB'S CONSULTATION PAPER ON MEASUREMENT**

The Public Sector Accounting Standards Board (PSASB), Kenya was established by the Public Finance Management Act (PFM) No.18 of 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28<sup>th</sup> February, 2014 and has been in operation since.

The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and Public entities in Kenya and to prescribe internal audit procedures which comply with the Public Finance Management Act, 2012.

The Public Sector Accounting Standards Board, Kenya is pleased to submit its comments on IPSASB's Consultation Paper on Measurement. The measurement project's objective of providing guidance on measurement bases for public sector entities applying IPSAS is welcome by the PSASB- Kenya.

PSASB Kenya responses on Preliminary Views and Specific Matters for Comment are documented in the attachment for your consideration.

With kind regards,

**CPA FREDRICK RIAGA**  
**CHIEF EXECUTIVE OFFICER, PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

## PSASB's Responses to Consultation Paper on Measurement

### Preliminary View 1-Chapter 2

The IPSASB's Preliminary View is that the fair value, fulfillment value, historical cost and replacement cost measurement bases require application guidance. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, stating clearly which measurement bases should be excluded from, or added to, the list, and why.

***PSASB opines that in addition to the four identified measurement bases, value in use and net realizable value, although extensively covered under IPSAS 21, 26 and 12, should be included in the list of measurement basis due to the following reasons:***

- 1. These two measurement bases were identified under the conceptual framework and are being used under IPSAS standards.***
- 2. The objective of this project is to develop a standard on measurement that will identify most commonly used measurement bases and provide definitions and explanatory text for those measurement bases. This standard will be the first reference point for constituents to obtain guidance with regards to what and where a measurement basis is to be used.***

***PSASB's suggestion is that figure 2.1 in the consultation paper- 'Measurement basis used in existing IPSAS' should be included in the Standard in its refined form to guide constituents on the IPSAS standards within which each measurement basis is used.***

### Preliminary View 2- Chapter 2

The IPSASB's Preliminary View is that the application guidance for the most commonly used measurement bases should be generic in nature in order to be applied across the IPSAS suite of standards. Transaction specific measurement guidance will be included in the individual standards providing accounting requirements and guidance for assets and liabilities. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, and state what guidance should be included, and why.

***PSASB- Kenya agrees that the proposed measurement standard should define all the measurement bases and provide guidance on approaches under those measurement bases. Specific guidance in relation to which measurement basis is to be used, should be given in the specific standard. This view is clearly captured under the objective of the measurement standard as outlined in the illustrative ED under Addendum A.***



**Preliminary View 3- Chapter 2**

The IPSASB's Preliminary View is that guidance on historical cost should be derived from existing text in IPSAS. The IPSASB has incorporated all existing text and considers **Appendix C: Historical Cost– Application Guidance for Assets, to be complete.** Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, stating clearly what you consider needs to be changed.

***Agreed. In so far as historical cost measurement basis is concerned, PSASB finds the guidance included under IPSAS 16 and IPSAS 17 to be adequate in its jurisdiction. The application guidance under the historical cost can however be expanded to include the extent to which historical cost is relevant.***

**Preliminary View 4- Chapter 2**

The IPSASB's Preliminary View is that fair value guidance should be aligned with IFRS 13, taking into account public sector financial reporting needs and the special characteristics of the public sector. The IPSASB considers **Appendix A: Fair Value–Application Guidance, to be complete.** Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, stating clearly what you consider needs to be changed.

***PSASB agrees with IPSASB on the approach to align guidance on fair value to IFRS 13 taking into account public sector financial reporting needs. Currently, the fair value measurement is used in some IPSAS standards yet there is no guidance on the same within the IPSAS conceptual framework.***

**Preliminary View 5- Chapter 2**

The IPSASB's Preliminary View is fulfilment value guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. The IPSASB considers **Appendix B– Fulfilment Value–Application Guidance, to be complete.** Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, stating clearly what you consider needs to be changed

***PSASB agrees that the expanded guidance on fulfilment value is complete for application in IPSAS.***

**Preliminary View 6- Chapter 2**

The IPSASB's Preliminary View is replacement cost guidance should be based on the concepts developed in the Conceptual Framework, expanded based on its application in IPSAS. The IPSASB considers **Appendix D: Replacement Cost–Application Guidance, to be complete.** Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, stating clearly what you consider needs to be changed.

## PSASB's Responses to Consultation Paper on Measurement

### Preliminary View 9- Chapter 3

The IPSASB's Preliminary View is that transaction costs should be addressed in the IPSAS, Measurement, standard for all IPSAS. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and state how you would address the treatment of transaction costs in IPSAS, together with your reasons for supporting that treatment

***PSASB agrees that transaction costs should be addressed in the proposed Measurement Standard. This will address the lack of a general definition of transaction costs and ensure a consistent meaning of transaction costs within IPSASs. Transaction costs should be outlined for each measurement basis under the proposed standard to offer guidance to the constituents.***

### Preliminary View 10- Chapter 3

The IPSASB's Preliminary View is that transaction costs incurred when entering a transaction should be:

- Excluded in the valuation of liabilities measured at fulfillment value;
- Excluded from the valuation of assets and liabilities measured at fair value; and
- Included in the valuation of assets measured at historical cost and replacement cost.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment.

***PSASB agrees that transaction costs, when entering a transaction, should be excluded in valuation of liabilities at fulfillment value, excluded from valuation of assets and liabilities at fair value and included in valuation of assets measured at historical cost and replacement cost***

### Preliminary View 11- Chapter 3

The IPSASB's Preliminary View is that transaction costs incurred when exiting a transaction should be:

- Included in the valuation of liabilities measured at fulfillment value;
- Excluded from the valuation of assets and liabilities measured at fair value; and
- Excluded in the valuation of assets measured at historical cost and replacement cost.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment

***PSASB agrees that transaction costs, when exiting a transaction cost, should be included in valuation of liabilities measured at fulfillment value, excluded from valuation of assets and liabilities measured at fair value and excluded from assets measured at historical cost and replacement cost.***



## PSASB's Responses to Consultation Paper on Measurement

### **Specific Matter for Comment -3- Chapter 4**

Do you agree that the measurement flow charts (**Diagrams 4.1 and 4.2**) provide a helpful starting point for the IPSASB to review measurement requirements in existing IPSAS, and to develop new IPSAS, acknowledging that other matters need to be considered, including: - The Conceptual Framework Measurement Objective; - Reducing unnecessary differences with GFS; - Reducing unnecessary differences with IFRS Standards; and - Improving consistency across IPSAS. If you do not agree, should the IPSASB consider other factors when reviewing measurement requirements in existing IPSAS and developing new IPSAS? If so, what other factors? Please provide your reasons

***Agreed. However, in line with our response to Preliminary View 1, the flow charts should be expanded to include value in use and net realizable value measurement bases in order to present a holistic view of the project and provide guidance to constituents on the measurement bases to apply for items of assets and liabilities.***

