

April 30, 2013

Andreas Bergman  
Chair  
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By electronic submission

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Dear Mr. Bergmann,

**Conceptual Framework Exposure Draft 3: Conceptual Framework for  
General Purpose Financial Reporting by Public Sector Entities:  
Measurement of Assets and Liabilities in Financial Statements**

The IDW would like to thank you for the opportunity to provide the International Public Sector Accounting Standards Board (IPSASB) with our comments on the Conceptual Framework Exposure Draft 3: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements (hereinafter referred to as "the CF").

**General Comments**

We remain unconvinced that there is any real justification for there to be significant differences between the private and public sectors in respect of this Phase of the CF. Therefore, whilst we generally believe the proposals in the ED are not problematical from a technical standpoint, we would like to re-affirm our previously stated views as to the need to ensure appropriate liaison with the IASB. Notwithstanding the IPSASB's intention that the CF Project is not a convergence project, we do not believe the IPSASB should finalise its CF in its entirety without having achieved an appropriate degree of consensus with the IASB on key aspects. For example, describing fair value as a measurement model which is in contrast to the IASB's approach to fair value may lead to confusion. We do not see a public sector specific reason that would justify the two Boards approaching this differently. At the time the IPSASB commenced its

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work the IASB Project had been deferred. At the present time, however, the IASB has reactivated its own project and accelerated its work in this area, and we firmly believe that the IPSASB should consider delaying finalization of the CF to this end.

We further believe that the IPSASB needs to clarify to its constituents how this Phase of the CF will interact with the other Phases of the CF and, in particular, with Phase 4 “Presentation”, which will deal with presentation techniques including decisions on information selection within a report. We note that the IASB decided to abandon a phased approach in taking its own work forward. Indeed allowing the necessary time to deal with the interactions of the four Phases would also provide an opportunity for further liaison with the IASB as suggested above.

**Specific Matter for Comment 1:**

*Do you agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting? If you think that there should be a measurement objective please indicate what this measurement objective should be and give your reasons.*

We agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting. Whilst we agree to some extent with the alternative view of Ken Warren (in particular the risk explained in the last sentence of AV4 and the necessary stipulation set forth in the second sentence of AV5), we do not believe that a measurement objective is needed as such. However it would be useful for the CF to include specific discussion as to the necessity to take account of the desire for financial statements to achieve as coherent a picture of the financial position and financial performance as possible to meet the objectives of financial reporting when selecting the measurement bases to be applied to individual items or elements. In this context, the material in BC 5 might usefully be moved forward.

**Specific Matter for Comment 2:**

*Do you agree with the current value measurement bases for assets that have been identified in Section 3? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?*

We agree with the current value measurement bases for assets that have been identified in Section 3.

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### Specific Matters for Comment 3:

*Do you agree with the approaches proposed in Section 4 for application of:*

- a. *The fair value measurement model to estimate the price at which a transaction to sell an asset would take place in an active, open and orderly market at the measurement date under current market conditions. If not, please give your reasons; and*

We agree. However, we also refer to our comments above concerning the likelihood that differences between the IPSASB and the IASB's approach to fair value (i.e., fair value as a model rather than as a measurement basis) may cause unnecessary confusion.

- b. *The deprival value model to select or confirm the use of a current measurement basis for operational assets. If not please give your reasons.*

We had previously observed that the deprival value concept may not be well-known. We are also concerned that the application of this model in the public sector, in particular in regard to those assets that are significant in the public sector, i.e., non-cash-generating assets, may often not be appropriate. This model would also not be in line with IPSAS 21. Indeed, as it is likely that for public sector specific assets in particular, the recoverable amount of assets would often be particularly low, and well below replacement cost, in such cases application of the deprival value model would involve unnecessary work. In addition, using the deprival value method as a measurement has the disadvantage that it would:

- Contradict the idea that measurement basis selection should facilitate an assessment of the operational capacity of the entity (paragraph 1.3 (b)).
- Not facilitate the assessment as to the sufficiency of the entity's capacity to maintain such assets, and thus:
- Not facilitate the assessment of the entity's ability to maintain the volume and quality of the related services (paragraph 1.3 (e))

If with "recoverable amount", the IPSASB intends equating to an amount sufficient for continued service provision, this model is also technically flawed. In our opinion, the value in use as explained in paragraph 44 of IPSAS 21 remains appropriate for non-cash-generating assets.

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**Specific Matter for Comment 4:**

*Do you agree with the proposed measurement bases for liabilities in Section 5?  
If not, please indicate which additional measurement bases should be included  
or which measurement bases should not be included in the Framework?*

We agree with the proposed measurement bases for liabilities in Section 5.

We would be pleased to answer any questions that you may have or discuss  
any aspect of this letter.

Yours truly,

Klaus-Peter Naumann  
Chief Executive Director

Viola Eulner  
Technical Manager