



**EUROPEAN COMMISSION**  
Budget

The Accounting Officer of the Commission

Brussels,  
BUDG.DGA.C02/MK/mt

**NOTE FOR THE ATTENTION OF PROF DR ANDREAS BERGMANN,  
CHAIRMAN OF THE IPSAS BOARD**

**Subject: Comments on the Conceptual Framework Exposure Drafts 3:  
Conceptual Framework for General Purpose Financial Reporting by  
Public Sector Entities: Measurement of assets and liabilities in  
financial statements**

Thank you for giving me the opportunity to comment on the Exposure Draft 3 of the Conceptual Framework project. The following comments are made in my capacity as Accounting Officer of the European Commission responsible for, amongst other tasks, the preparation of the annual consolidated accounts of the European Union which comprise more than 50 European Agencies, Institutions and other Bodies with an annual budget of more than EUR 140 billion.

As a general comment, I would like to congratulate the IPSAS Board for issuing this high quality exposure draft and for the significant progress made on the work on the Conceptual Framework. Please find my comments on specific matters of this exposure draft in the Annex to this note.

I look forward to our continued co-operation in the area of public sector accounting and remain at your disposal for any question you may have on the comments.



Manfred Kraff

Annex: Comments on specific matters

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## Annex: Comments on specific matters

### **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.*

### **Comment:**

We totally agree with the view that a measurement basis for a specific element should be selected on the basis how it meets the objectives of financial reporting taking into account the information needs (accountability and/or decision making) of users of the financial statements to be issued. We welcome that the Framework does not require specific measurement bases but provides relevant factors for the selection of a measurement base in different circumstances. This enables preparers to select the appropriate measurement bases that meet the objectives of financial reporting. We do not think that a measurement objective necessarily needs to be included in the framework as this can be deduced from the discussion in the Framework.

### **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?*

### **Comment:**

We agree with the current value measurement bases for assets in Section 3. We note that the Framework suggests in different paragraphs directly (paragraph 2.6, 2.7) or indirectly (paragraph 3.27) complementary disclosures to a measurement base chosen. We are of the opinion that the Framework is not the right place to suggest detailed requirements (i.e. disclosures) as it should remain a principle based Framework. The issue of additional disclosures should be addressed on standards level.

### **Specific Matter 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*

*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.*

**Comment:**

We agree with the approaches proposed for application of both the fair value measurement model and the deprival value model. We welcome that the Framework allows other approaches to select a measurement base such as cost/benefits considerations. We take note that the Framework does not require specific methodologies to be applied for a particular measurement basis and that it allows using other methodologies that achieve "similar" results. In that context one can conclude that methodologies to be applied for a particular measurement basis discussed in the Framework have merely exemplarily character. In summary the Framework provides with that statement preparer of financial statements a certain degree of flexibility so as to take into account the specific business environment of the reporting entity.

In that context one could argue that the Framework might not be the right place for the discussion of the two approaches and an inclusion on standards level might be more appropriate. The reason for this is that they refer to specific cases as mentioned in paragraph 4.4.

***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?*

**Comment:**

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