



**The Institute of
Chartered Accountants
of Pakistan**

HEAD OFFICE

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
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June 15, 2011

**Subject: COMMENTS ON CONSULTATION PAPER 'CONCEPTUAL FRAMEWORK FOR
GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES'**

Dear Sir,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned Consultation Paper.

Please find enclosed the comments of the relevant Committee of the Institute for your perusal.

If you require any further clarification, please do not hesitate to contact us.

Yours faithfully,

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COMMENTS ON CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES: MEASUREMENT OF ASSETS AND LIABILITIES IN FINANCIAL STATEMENTS

Specific Matter for Comment 1

Should the role of the Framework be to identify factors that are relevant in selecting a measurement basis for particular assets and liabilities in specific circumstances, rather than specify a single measurement basis or combination of bases?

Comments

Role of the Framework should be to identify factors that are relevant in selecting a measurement basis for particular assets and liabilities in specific circumstances rather than specify a single measurement basis or combination of bases.

Specific Matter for Comment 2

If, in your view the Framework should specify a measurement basis or combination of bases (or approach in the case of deprival value), which should that be?

Single Measurement Bases

- (a) Historical cost.
- (b) Market value.
- (c) Replacement cost.

Combinations of Bases/Approach

- (d) Deprival value.
- (e) Historical cost and market value.
- (f) Replacement cost and market value.
- (g) Historical cost, replacement cost, and market value.

Others

- (h) Another measurement basis or combination of bases/approach.

Please explain why you support a particular measurement basis or combination of measurement bases/approach and your reasons for rejecting alternatives.

Comments

The Deprival Value approach gives the best measurement basis since it precisely makes the measurement basis according to the objects of GPFRs and needs of primary users.

Specific Matter for Comment 3

The Consultation Paper discusses the following measurement bases: historical cost, market value, and replacement cost. It also discusses the deprival value concept which does not describe a single measurement basis, but rather a means by which a basis may be selected that is relevant to the circumstances. Value in use and net selling price are discussed in the context of the deprival value model.

In your view, is this discussion complete, balanced and fair? If not, please indicate what in your view is missing or in what respects you consider the discussion does not draw out the strengths and weaknesses of the various bases (or approach in the case of deprival value).

Comments

In our opinion the discussion is complete balances and fair.

Specific Matter for Comment 4

In your view, should:

(a) The effect of an entity's own credit risk be reflected in the measurement of liabilities at initial recognition; and

Comments

In our opinion the effect of an entity's on credit risk should not be reflected at initial measurement.

(b) The effect of changes in own credit risk be reflected when liabilities are subsequently remeasured?

Comments

In our opinion the effect of entity's own credit risk should be reflected on subsequent remeasurement.

Specific Matter for Comment 5

In your view, where assets are not restricted in use and therefore may be sold for an alternative use, should the measurement reported in the statement of financial position reflect:

(a) Only the service potential relating to the existing use; or

(b) Include the incremental value relating to its possible sale for an alternative use?

Comments

In our opinion, for the better understanding of users of GPFRs, it is more appropriate to include the incremental value relating to possible sale for an alternative use.