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

1.	**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.	The selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objective of financial reporting. The measurement objective should be based on a current measurement value. Where Net Selling Price is relevant, in most cases it will be adequately representationally faithful, verifiable and comparable between entities and should be the measurement of choice. Assessments of Net Selling Price are likely to be straightforward to obtain and provide understandable, verifiable information capable of being produced in a timely manner. Since the measurement is based on observable market value it is likely to provide information that is comparable between entities. Value in use would be relevant to assessments of impairment and other limited relevant cases.
2.	**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?	
3.	**Specific Matters for Comment 3** Do you agree with the approaches	The fair value model measurement basis for an asset is the amount for which the asset can be sold for in an active, open and orderly market at the measurement date under current market conditions. In other words, there must be a specific market for

	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.	the assets. The model is predicated on certain assumptions: 1. The asset will be used in its highest & best use, taking into account physical characteristics and uses that are legally permissible and financially feasible. 2. The transaction takes place in the principal and most advantageous market for the asset. 3. The most appropriate valuation techniques are used which considers assumptions market participants will use when pricing the asset. We do not agree with this measurement basis because the assumptions appear to be impractical for non-financial assets. The first assumption implies the optimal efficiency of the asset, which is dependent certain factors. For instance, availability of competent staff to put the machinery to use, training costs associated with raising the capacity of staff, is there a market for the end product, the economic climate may affect maintenance/servicing of machinery, the remaining useful life of the asset also impacts on the optimal use. The second assumption of the transaction taking place in the principal & most advantageous market may be difficult to assess. In the principal and most advantageous market, there is likely to be many competitors i.e. entities that may be in the same line of business. This may impact on the price an organization is willing to pay. Determining the most appropriate valuation technique based on assumptions made by market participants seems as if it is going to be a subjective process. Additionally, the model excludes transaction costs in selling an asset. The proceeds of the sale will therefore seem more because it did not reflect costs which will be associated with the sale of the asset.

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?	a. Historical cost: Liabilities are recorded at the amount of proceeds received in exchange for the obligation or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. Discussion: This is a very practical measurement bases, notwithstanding the limitations of not being able to be applied for liabilities that do not arise from a transaction, such as a liability to pay damages for a tort or civil damages or in situations in which the liability vary in amount such as defined benefit pension liabilities. b. Market value: this refers to trading in a competitive auction setting. Market value is often used interchangeably with *open market value*, *fair value* or *fair market value*, although these terms have distinct definitions in different standards, and may differ in some circumstances. Discussion: This seems more appropriate in a situation where there would be a third party who would accept the liability being transferred to him. (Believed that it would be much more than the actual amount outstanding) However, because it is extremely unlikely that there will be an open, active and orderly market for liabilities, this is the only one I think that could be out. c. Cost of release: the amount to which to exit from an obligation e.g. that which is contained in an agreement such as cancellation clause.

		Discussion: This could involve cash transaction in which there may be a discount if there is an (immediate exit from the obligation) in comparison to a credit situation where a premium would be charged by the third party to (accept the transfer of the liability from the obligator). Not aware that there is so much flexibility with public entities. d. Assumption price: “the amount which the entity would rationally be willing to accept in exchange for assuming an existing liability” Discussion: This is similar to “**cost of release”** i.e. the amount that a third party would charge to accept the transfer of the liability from the obligator. e. Cost of fulfillment: Discussion: Appears to mean that the entity could end up paying more than what was originally agreed. However, based on the operations of Gov. Entities, this would only be practical in situations in which the estimates or prices are quoted in foreign currency and or being imported, thus the cost of fulfillment could be different from the estimated price. **<u>Conclusion</u>** There would be the need to look at how the liabilities were incurred / created by the entities and consider the uniqueness of the operations of government entities in terms of procurement process. In a commercial company, all would be appropriate.

		The measurement bases as they are capture the many possibilities. However, the appropriate measurement bases are highly dependent on how the transaction was created and the authority of the entity which will have to settle the obligation.