

Meeting: IPSASB Consultative Advisory Group
Meeting Location: Kuala Lumpur, Malaysia
Meeting Date: December 3, 2018

Agenda Item 6

For:
☐ Approval
☒ Discussion
☒ Information

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PUBLIC SECTOR MEASUREMENT

Project summary	This project will address inconsistencies between measurement in IPSAS and in the Conceptual Framework. <i>Project objectives:</i> Improvements to IPSAS measurement including disclosures; implementation guidance on measurement; clarification of treatment of transaction costs and borrowing costs.	
Meeting objectives	Topic	Agenda Item
Discussion items	IPSAS, Measurement, and other IPSASs: What, How, and Which of Measurement	6.1
	Combined Consultation Paper–Exposure Draft: Communication with Constituents	6.2
Other supporting items	IPSASB Due Process Checklist Useful Links	Appendix A

Agenda item 6.1

IPSAS, *Measurement*, and other IPSASs: What, How, and Which of Measurement

Introduction

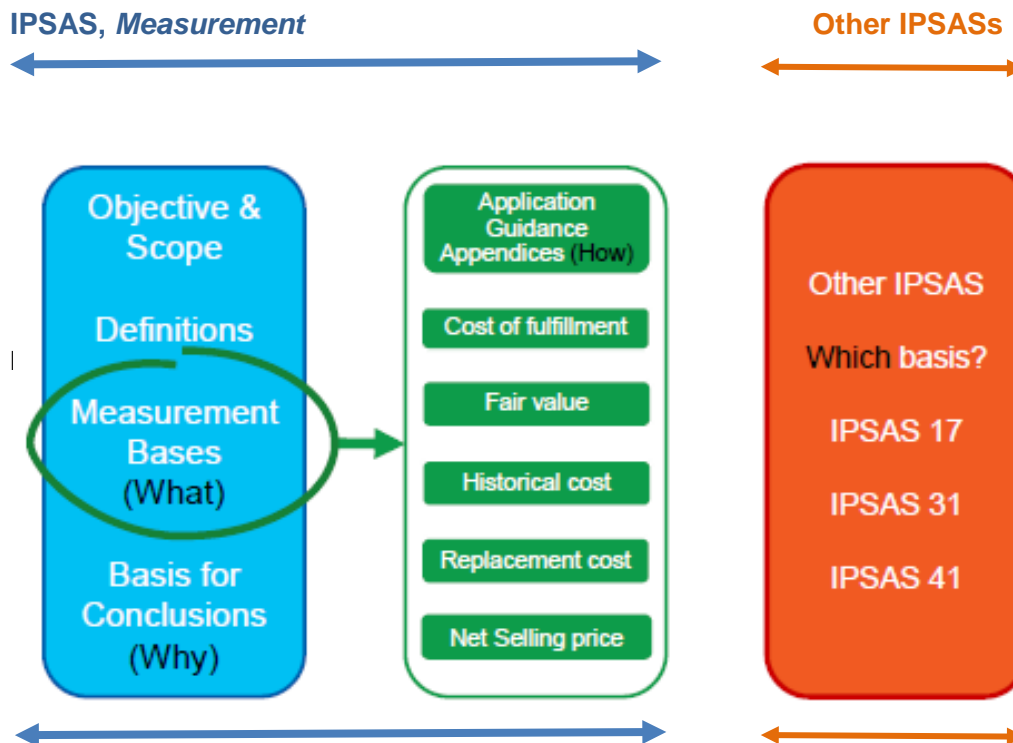
1. The background below describes the IPSASB's progress on development of ED, *Measurement*, in order to support CAG members to reach their views on (a) content proposed for the ED, and (b) the IPSASB's integration of the IFRS 13, *Fair Value Measurement*, meaning of "fair value" into IPSAS.

Background

IPSAS, Measurement

2. In December 2017, the IPSASB decided that the main output for the Public Sector Measurement Project should be a new IPSAS, which would comprehensively address measurement. The IPSAS would be a "one-stop shop" for measurement, and:
 - (a) Improve the understandability of IPSAS measurement requirements; and,
 - (b) Support consistent application of measurement bases.
3. In September 2018, after reviewing drafts for ED, *Measurement*, in March and June, the IPSASB decided that the IPSAS should focus on measurement bases, while other IPSASs should continue to address requirements for which measurement bases should apply. Diagram 1 illustrates the proposed content of IPSAS, *Measurement*, and other IPSASs.

Diagram 1: Relationship between IPSAS, *Measurement*, and Other IPSASs



4. IPSAS, *Measurement*, will have definitions and explanatory text for measurement bases, i.e. answer the "what?" question for each measurement basis. Its appendices will have application guidance on

how to derive those measurement bases. Its *Basis for Conclusions* will explain why the IPSASB decided particular issues in the way that they did, as they developed IPSAS, *Measurement*.

5. Other IPSASs will continue to address the choice of a measurement basis, i.e. they will address the “which measurement basis?” question. For example, IPSAS 17, *Property, Plant and Equipment*, will have requirements for which bases to measure property, plant and equipment.

Fair Value in IPSAS, Measurement

6. At the June 2017 CAG meeting, CAG members said that fair value should have the same meaning as that established by IFRS 13, *Fair Value Measurement*. In September 2017, the IPSASB decided that fair value, as per IFRS 13, would apply to some assets and liabilities—financial instruments being one example.
7. A fair value section was included in draft ED, *Measurement*, for the IPSASB’s June 2018 meeting. It brought across the majority of IFRS 13 text for IPSASB consideration. At the same meeting the IPSASB approved IPSAS 41, *Financial Instruments*, which refers to fair value. Although IPSAS 41 does not refer to IFRS 13, logically the IFRS 13 meaning of fair value should apply, since IPSAS 41 is an IFRS-converged IPSAS. The IPSASB directed the Financial Instruments Task Force to provide recommendations on the IFRS 13 text needed for financial instruments measurement.
8. The Financial Instruments Task Force considered the needs of both financial instruments and investment properties. (IPSAS 27, *Investment Properties*, is an IFRS-converged IPSAS, which includes measurement at “fair value.”) In September, it recommended that the majority of IFRS 13’s fair value text should be adopted. The IPSASB agreed, and decided that the text should be included either as application guidance (in an appendix to IPSAS, *Measurement*) or in another IPSAS(s).
9. In December 2018, the IPSASB will consider further Financial Instruments Task Force recommendations on the location of IFRS 13 text, covering both its guidance on fair value and measurement-related disclosures.

Questions to CAG Members

1. What are your views on the IPSASB’s decisions with respect to the:
 - (a) Content of ED, *Measurement*, (i.e. the ED will cover measurement bases (their definitions, explanation and generic application guidance) and generic measurement-related disclosures); and
 - (b) Integration of the IFRS 13 meaning of “fair value” into IPSAS, through adoption of the majority of IFRS 13 text, in IPSAS, *Measurement*, and other IPSAS(s)?
2. Do you consider that the changes proposed with respect to where measurement guidance and requirements are located in IPSASs will support preparers (and users) of the financial statements in providing (and understanding) relevant information?
3. Are there any public interest issues that the IPSASB should consider, as it develops IPSAS, *Measurement*?

Agenda item 6.2

Combined Consultation Paper–Exposure Draft: Communication with Constituents

Introduction

1. The background below describes the IPSASB's use of a Consultation Paper—Exposure Draft combination (CP-ED combo) to consult with its constituents on Public Sector Measurement. This is a new approach, which the IPSASB is applying to this project. The background aims to support CAG members' understanding of the product and process that the IPSASB envisages, so that CAG member can provide their views on:
 - (a) How the IPSASB should communicate the CP-ED combo to constituents, so they understand the IPSASB's proposals, and will provide their views on both documents; and
 - (b) Whether there are public interest issues for the IPSASB to consider, as it applies this new approach to consultation?

Background

Why the IPSASB decided to add an Exposure Draft to the Consultation Paper

2. The IPSASB is pioneering this new approach in order to improve how it consults with its constituents. This approach provides both:
 - (a) A concepts-based discussion, in the **Consultation Paper**, which identifies areas where the IPSASB has reached preliminary views; and
 - (b) An **Exposure Draft**, which illustrates the IPSASB's ideas with specific and more detailed proposals for measurement.
3. ED, *Measurement*, illustrates what the IPSASB thinks that the final product will look like, given its discussions up to now. The idea is to provide constituents with a clearer view of the IPSASB's direction of travel, by showing what the ideas in the Consultation Paper and developed through IPSASB discussions would result in, as a draft IPSAS.
4. By being clearer and more transparent about where the IPSASB's discussions and the ideas in the Consultation Paper are leading, the IPSASB hopes to get better feedback from constituents, earlier in the development process.
5. At the same time, asking constituents for their comments on an ED is expected to put the IPSASB further ahead after its first round of consultation, because the comments received will provide a clearer understanding of what constituents want to see at the end of the development process.
6. This new approach is expected to result in faster "idea to market" delivery of new IPSASs.

Content of the Consultation Paper and Exposure Draft: Constituents' views needed on both

7. This section describes what each document—the CP and the ED—contains. The IPSASB will have questions for constituents in both documents, and would like to hear CAG members' views on how to effectively communicate this message to constituents. Diagram 2 on the following page provides an overview of content in the CP and ED.
8. The CP will explain why the IPSASB has undertaken the Public Sector Measurement Project, and discuss issues that the project addresses, including those where the IPSASB has reached a

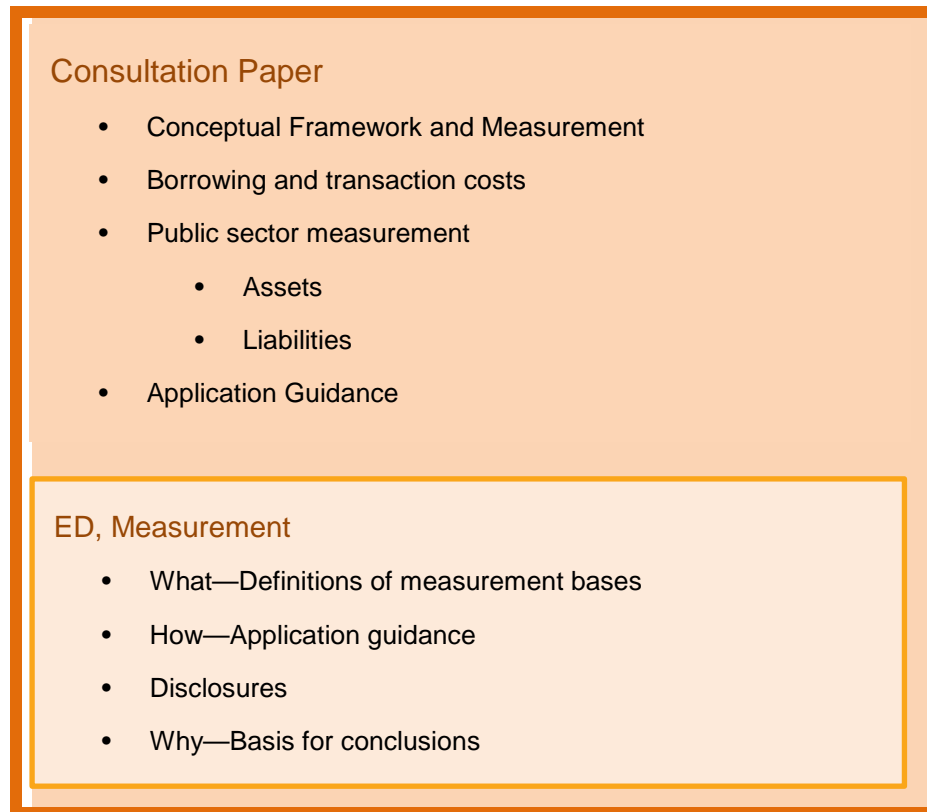
preliminary view and needs stakeholder feedback before illustrating that view in the ED. The CP will discuss borrowing costs, transaction costs, and the IPSASB review approach for aligning IPSAS measurement bases to the Conceptual Framework. ED, *Measurement*, is in an appendix to the CP.

9. The treatment of borrowing costs is an example of an issue where the IPSASB decided that constituents' views should be sought before translating its preliminary view into either (i) draft amendments to existing IPSASs; or, (ii) a subsection within ED, *Measurement*. In the draft CP for discussion at the IPSASB's December 2018 meeting, Chapter 3, *Borrowing Costs*, discusses borrowing costs and has the IPSASB's preliminary view on this issue.

Exposure Draft—Illustrates IPSASB Views on Measurement

10. ED, *Measurement*, illustrates what is meant by measurement bases, and has generic application guidance for their derivation. It also addresses measurement-related disclosures.
11. For its December meeting, the IPSASB has directed staff to develop application guidance on measurement bases for inclusion in ED, *Measurement*. So this is an example of where the draft ED will have text to illustrate what a new IPSAS would look like, given the IPSASB's views. For application guidance the IPSASB's views to date are that:
 - (a) There is a need for more application guidance on particular measurement bases, and
 - (b) Generic application guidance should be included in ED, *Measurement*, while topic-specific application guidance should be included in other IPSASs.

Diagram 2: Content of ED, *Measurement*, and CP, *Public Sector Measurement*



The Process from here

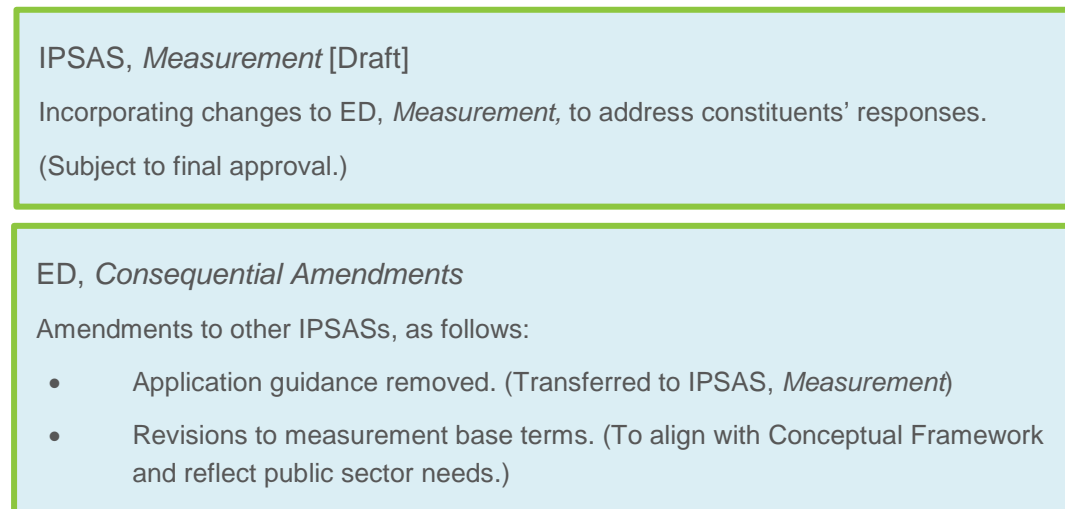
12. Diagram 3 below shows the process to reach an approved IPSAS, *Measurement*. The IPSASB is in Phase 1, represented by the orange arrow on the left, which involves developing the CP-ED combo for consultation.

Diagram 3: The Process from Consultation to Approved IPSAS, *Measurement*



13. After the IPSASB reviews responses received, the next step—Phase 2, represented by the middle, green arrow—will be to develop and approve:
- (a) A revised version of IPSAS, *Measurement*, to be issued as “IPSAS, *Measurement* [Draft]”¹; and
 - (b) An exposure draft to address consequential amendments to other IPSASs.
14. Both documents—IPSAS, *Measurement* [Draft] and ED, *Consequential Amendments*, will then be issued for comment, so that IPSASB constituents can consider the further development of IPSAS, *Measurement*, while also considering consequences for other IPSASs. Diagram 4 shows the content expected to be included in these two documents.

Diagram 4: Content of IPSAS, *Measurement* [Draft], and ED, *Consequential Amendments*



¹ The term “IPSAS, *Measurement* [Draft]” aims to convey that this document is closer to final than would normally be the case for an ED. At this point in the development process IPSAS, *Measurement* [Draft] will already have received one round of constituent comments and benefited from that input. While closer to final, the IPSAS will still be a draft published to receive further input from constituents.

Approval of IPSAS, Measurement, in Phase 3

15. The blue arrow on the right in Diagram 3 represents the final step in this process. After the IPSASB revises the two documents in light of constituents' responses, they will be approved and issued. IPSAS, *Measurement*, will be issued as a final standard. Other IPSASs will be amended, as required by the approved set of consequential amendments.

Communication with Constituents

16. The IPSASB appreciates that this new approach to consultation could be difficult initially for constituents to understand. Therefore it asks CAG members for their views on how to:
- (a) Effectively communicate this new approach to constituents; and
 - (b) Support their understanding both that the IPSASB needs their comments on both the CP and the ED, and the impact of their input on the process to reach a final IPSAS, *Measurement*.

Questions to CAG Members

What are your views on:

- (a) How the IPSASB should communicate the CP-ED combined documents to constituents, so they understand the IPSASB's proposals and provide their views on both documents; and
- (b) Whether there are public interest issues for the IPSASB to consider as it applies this new approach to consultation?

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Appendix A

IPSASB Due Process Checklist Checklist

Project: Public Sector Measurement

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the project brief at its March and June 2015 meetings as part of its Work Plan discussions. The project brief was approved in June 2015 (see the June 2015 minutes).
A2.	The IPSASB approved the project brief in a public meeting.	Yes	When the project went live in March 2017 the IPSASB made minor amendments to the project brief and re-approved it. See the approved project brief and the March 2017 minutes .
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	This step was not in effect for this project.
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB approved the project brief, which states that there will be a consultation paper. At its September 2017 meeting the IPSASB decided to issue a combined consultation paper and exposure draft for this project. (See the minutes of the IPSASB's September 2017 meeting).
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	N/A	This step has not been reached. Development of the consultation paper is in progress, and no comments have been received to date.
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	Yes	Consultation with the CAG continues as development of the exposure draft continues.

Useful Links

[Project Brief for Public Sector Measurement](#)

[IPSASB Public Sector Measurement project page](#)