



## **Agenda Item 6: Limited Scope Review of Conceptual Framework**

John Stanford, Technical Director

IPSASB Consultative Advisory Group Meeting

Abu Dhabi, United Arab Emirates

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## Background (paras. 1-3)

- Framework approved in September 2014 and issued in October 2014
- No timeline for review
- Review proposed in Strategy and Work Plan Consultation
- Supported by respondents
- Project brief to IPSASB in March 2020

## Project Drivers (para. 4)

- IASB Driven
  - Developments in IASB Conceptual Framework following approval of IPSASB Framework
  - IASB revised Framework published in March 2018 with effective date of January 1<sup>st</sup>, 2020
- IPSASB Driven
  - Issues in applying Framework since late 2014

## Project Drivers: Evaluation Criteria (para. 5)

- Criteria for project prioritization have been used where appropriate:
  - Prevalence
  - Consequences
  - **Urgency**
  - Feasibility

## IASB Drivers (paras. 8-10)

- Significantly revised approach to Measurement
  - High level distinction between historical cost and current value
  - Current value measures identified: fair value, value-in-use (assets) and fulfilment value (liabilities) and current cost
- Finalization of element definitions
  - Staff view that no fundamental differences between asset and liability definitions,
  - Need to test assumption

## IASB Drivers (paras.11-14)

- Acknowledgement of prudence in context of neutrality in QC of faithful representation
  - No substantive impact, but regionally sensitive
- Materiality
  - Amendments at IFRS level as well as Framework

## IASB Drivers: Other Issues (paras. 15-18)

### Not addressed in IPSASB Framework

- Executory contracts
- Unit of account
- Capital maintenance

### Addressed differently in IPSASB Framework

- Hierarchy of Qualitative Characteristics
  - Fundamental and Enhancing

## IPSASB Drivers (paras. 20-23)

- No definition of fair value
  - IFRS 13
  - Market value as entry and exit based measure
  - Impact of Financial Instruments and Measurement project
  - CAG emphasis on importance of consistent fair value definition consistent with IASB
- Relationship of market value and fair value (as in IFRS 13)
  - Need for both?



## IPSASB Drivers (paras.24-26)

- Other resources and other obligations
  - Controversial aspect of Framework
  - Not elements
  - Not used at standards level
- Non-legally binding obligations
  - Used rather than constructive obligation

## CAG Question 1

- CAG views are requested on the identified project drivers? Are there any additional drivers from a public interest perspective that the IPSASB should consider?

# Identifying urgent issues for inclusion in project scope (para.28)

## URGENT

- Review of Measurement Chapter
- Definitions of elements (asset and liability)
- Acknowledging prudence
- Materiality
- Need for fair value definition
- Relationship between market value and fair value

# Identifying urgent issues for inclusion in project scope

## SIGNIFICANT

- Omitted issues
  - Capital maintenance
  - Unit of account
  - Executory Contracts
- Hierarchy of QCs – fundamental and enhancing

# Identifying urgent issues for inclusion in project scope

## LESS SIGNIFICANT

- Other resources and other obligations (and inappropriate for limited scope project)
- Use of term non-legally binding obligations

## CAG Question 2

- Are there any other issues that should be prioritized from a public interest perspective? What are the CAG views on the staff proposals?



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