International Public Sector Accounting Standards Board®

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Meeting:	International Public Sector Accounting Standards Board	**Agenda Item 5**	For:
			☐ Approval
Meeting Location:	New York, USA		☒ Discussion
Meeting Date:	June 21–24, 2022		☐ Information

CONCEPTUAL FRAMEWORK–LIMITED SCOPE UPDATE (CF-LSU) – PHASE ONE: MEASUREMENT

Project summary	The project objective is to update the Conceptual Framework for a limited number of issues based on the criteria of urgency, consequences, feasibility, and prevalence, with an emphasis on the first three of these criteria.	
Board Sponsor	Ian Carruthers, IPSASB Chair	
Meeting objectives	***Topic***	***Agenda Item***
Project management	Conceptual Framework–Limited Scope Update (CF-LSU)–Next Stage: Project Roadmap	5.1.1
	Instructions up to Previous Meeting	5.1.2
	Decisions up to Previous Meeting	5.1.3
Decisions required at this meeting	Assumption Price	5.2.1
	Cost of Release	5.2.2
	Net Selling Price	5.2.3
	Review of Responses to SMC 3: Current Operational Value	5.2.4
Other supporting items	Updated Chapter 7, Measurement in Financial Statements	5.3.1

Prepared by: John Stanford (June 2022)

CONCEPTUAL FRAMEWORK–LIMITED SCOPE UPDATE (CF-LSU): PROJECT ROADMAP

Meeting	**Completed Actions or Discussions / Planned Actions or Discussions:**
Conceptual Framework–Limited-Scope Update	
March 2020	1. Approve Limited Scope Update of Conceptual Framework Project Brief
June 2020	1. Discussion of Issues
September 2020	1. Discussion of Issues 2. Review [draft] Exposure Draft 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*
October 2020	1. Discussion of Issues
December 2020	1. Approve Exposure Draft 76
February 2021	1. Finalize remaining instructions
March 2021	1. Discussion of Issues
June 2021	1. Discussion of Issues
September 2021	1. Discussion of Issues 2. Review [draft] Exposure Draft 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements*
October 2021	1. Discussion of Issues 2. Review [draft] Exposure Draft 81
December 2021	1. Approve Exposure Draft 81.
February 2022	1. Publication of Exposure Draft 81
March 2022	1. First Review of Responses to Exposure Draft 76 2. Discussion of Issues
June 2022	1. Second Review of Responses to Exposure Draft 76 2. Discussion of Issues 3. Review Revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*
September 2022	1. Third Review of Responses to ED 76: SMCs on Replacement Cost and Value in Use 2. Approve Revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements* 3. First Review of Responses to Exposure Draft 81 4. Discussion of Issues
December 2022	1. Second Review of Responses to Exposure Draft 81 2. Discussion of Issues 3. Review Revised Chapter 3, *Qualitative Characteristics*, and Chapter 5, *Elements in Financial Statements*
March 2023	1. Approve Revised Chapter 3, *Qualitative Characteristics*, and Chapter 5, *Elements in Financial Statements*

April 2023	1. Publication of Revised Chapter 3, *Qualitative Characteristics*, and Chapter 5, *Elements in Financial Statements*

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
Conceptual Framework–Limited-Scope Update: First Stage		
March 2022	1. Consider terms other than 'Model' for the first level of measurement in the 'Subsequent Measurement Framework'.	1. To be considered further and alternative term discussed at September meeting.
	2. Analyze further the rationale for the retention or deletion of net selling price, cost of release and assumption price from Chapter 7.	2. Agenda Items 5.2.1-5.2.3.
	3. Make references in the Conceptual Framework to standards-level generic guidance and not to refer to specific IPSAS or IPSAS under development.	3. Core text of Agenda Item 5.3.1 checked to ensure that no reference to specific IPSAS or IPSAS under development.
	4. Provide a high-level explanation in the Basis for Conclusions of how a measurement model might be selected.	4. Paragraph BC 7.14A added to Agenda Item 5.3.1.
	5. Amend the definition of a transaction price to "acquire, construct or develop an asset".	5. Agenda Item 5.3.1: Footnote to paragraph 7.8 has been amended.
	6. Provide an explanation in the Basis for Conclusions that the Conceptual Framework does not provide detail on the nature of transaction costs. Such guidance is provided at the standards level.	6. Agenda Item 5.3.1: Footnote added to paragraph 7.25.
	7. Review the wording of paragraph 7.30 on the appropriateness of historical cost for assets held for financial capacity.	7. Agenda Item 5.3.1: Additional sentence added to paragraph 7.30.
	8. Not discuss alternative measurement bases to cost of fulfillment, where an entity decides to settle a liability in other than the least costly manner.	8. Agenda Item 5.3.1: instruction does not require change to core text. Paragraph BC7.57A added.

	9. Not discuss whether non-financial assets held for sale are held for financial capacity or operational capacity.	9. Agenda Item 5.3.1: instruction does not require change to existing text. Paragraph BC7. 11A indicates that Conceptual Framework does not provide detailed guidance on which assets are held, or which liabilities are incurred, primarily for financial capacity and operational capacity.
	10. Not go into detail on the assets and liabilities covered by the proposals in Chapter 7 as these proposals apply to all items meeting the asset and liability definitions in Chapter 5, *Elements of Financial Statements.*	10. Agenda Item 5.3.1: instruction does not require change to existing text. Staff does not consider that a BC paragraph is necessary as Chapter 5, *Elements of Financial Statements,* precedes the discussion of Measurement in Chapter 7, so scope of Chapter 7 is clear.
	11. Not to provide guidance on cash flow projections in Chapter 7.	11. Agenda Item 5.3.1: instruction does not require change to existing text. Paragraph BC7.40A added.
	12. Provide a high-level explanation of an onerous contract in a footnote, but not to refer to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.	12. Agenda Item 5.3.1: Footnote added to paragraph 7.8.
December 2021	1. Develop detailed response analysis for IPSASB's review in March 2022.	1. Response analysis for SMCs 1, 2, 5 (Market Value), 6 and 7 in Agenda Items 10.2.2-10.2.5. Response analysis for SMCs 3,4 and 5 (Replacement Cost) to be provided in June 2022 (SMC 4 and Replacement Cost deferred to September 2022. Approach explained in Agenda Item 10.2.1.
	2. Frame the public sector current value measurement basis in the context of the Conceptual Framework Measurement objective and what the IPSASB is trying to achieve in developing the measurement basis.	2. In progress-to be presented in June 2022 (deferred to September 2022).

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
Conceptual Framework–Limited-Scope Update–First Stage		
February 2021	1. All decisions made up until February 2021 were reflected in ED 76.	1. ED 76 published in April 2021.
March 2022	1. The three-level classification should be retained, but the term 'Subsequent Measurement Framework' should be used rather than 'Measurement Hierarchy'.	1. Agenda Item 5.3.1: Titles above paragraph 7.5 and Diagram 1 amended. Paragraph BC7.13A added.
	2. Fair value should be included in revised Chapter 7 with the definition proposed in ED 76.	2. Agenda Item 5.3.1: paragraphs BC7.25 and BC7.51 added.
	3. As proposed in ED 76, market value should not be retained as a measurement basis.	3. Agenda Item 5.3.1: BC7.31 and BC7.60 added.
	4. The revised Chapter 7 should not include a discussion of fund accounting.	4. Agenda Item 5.3.1: This is primarily an issue related to the objectives of financial reporting and presentation and is not in scope of the Limited Scope Update. Staff does not think a BC paragraph is necessary.
	5. The selection of a measurement basis should not be influenced by economic impacts external to the reporting entity.	5. Agenda Item 5.3.1: Paragraph 7.14B added.
	6. The classification of measurement bases as 'entity-specific' or 'non-entity-specific' should be retained.	6. Agenda Item 5.3.1: Paragraph BC7.16 amended.
	7. No further detail should be provided on orderly markets.	7. Agenda Item 5.3.1: Paragraph BC 7.25A added.
February 2021	1. All decisions made up until February 2021 were reflected in ED 76.	1. ED 76 published in April 2021.

Assumption Price

Question

1. Does the IPSASB approve the recommendation in paragraph 2?

Recommendation

2. Board Sponsor and staff recommend that assumption price is not included as a measurement basis for liabilities in the updated version of Chapter 7, *Measurement of Assets and Liabilities in Financial Statements,* of the Conceptual Framework.

Background

3. Assumption price is one of the measurement bases for liabilities in the 2014 Conceptual Framework. The 2014 Conceptual Framework described assumption price as:

   The amount which the entity would rationally be willing to accept in exchange for assuming an existing liability.

4. ED 76, *Conceptual Framework Update, Chapter 7, Measurement of Assets and Liabilities in Financial Statements,* did not include assumption price, due to its limited applicability. The relevant extracts from the Basis for Conclusions in ED 76 are attached at Appendix A.

5. Specific Matter for Comment 6 in ED 76 asked respondents for their views on the proposal not to include assumption price in a revised Chapter 7 as well as cost of release and net selling price, which are discussed in Agenda Items 5.2.2 and 5.2.3.

6. Agenda Item 10.2.4 at the March meeting discussed assumption price and noted that most respondents supported the approach in ED 76. The revised quantitative summary of responses is in Table 1 below. This includes an additional response not in the March analysis.

Table 1—Responses to SMC 6: Assumption Price

Response	Respondents	
	#	%
Agree	36	82
Partially Agree	1	2
Disagree	5	11
Subtotal	**42**	**95**
No Comment	2	5
Total	**44**	**100**

7. As with net selling price and cost of release, three of the five respondents classified as disagreeing with the deletion of cost of release (R06, R07 and R16) expressed a view that the Conceptual Framework should not be influenced by the requirements for measurement bases in current standards but should adopt a broader role. It should make measurement bases available to standard setters for standards development and for preparers faced with situations not specifically addressed in standards. R06 also argued that the length of time since the approval and publication of the

Conceptual Framework is insufficient to assess the need for assumption price (the same view was expressed for net selling price and cost of release).

8. R06 stated that assumption price has been a useful concept in its jurisdiction for public sector financial reporting when taking on large and unusual liabilities during financial crises. Consistent with its view on cost of release, R04 considered that assumption price should be retained because of the perceived limited discussion of liabilities in the Conceptual Framework but did not provide details of circumstances where cost of release might be an appropriate measurement basis.

9. At the March 2020 meeting in light of the issues raised by respondents the Board instructed Staff to analyze further the rationale for the retention or deletion of cost of release.

Analysis

10. This further analysis considers:

- The IASB approach.
- The relevance of assumption price to public sector financial reporting.
- The views previously expressed by constituents on 2019 Consultation Paper, *Measurement.*

The IASB approach

11. Neither the IASB's 2010 Conceptual Framework, nor the 2018 Conceptual Framework defined or described assumption price.

The relevance of assumption price to public sector financial reporting

12. Assumption price is not defined in IPSASB's standards-level literature.

13. In a for-profit context it would be rational for an entity to assume a liability if the entity can settle the liability for a lower amount after taking account of estimated transaction costs. Settlement would normally be by fulfilling the obligation.

14. In a public sector context, assumption of a liability could occur in a very limited number of cases for public policy reasons, such as assuming pension obligations to sustain the viability of a pension scheme or assuming loan debt to support a strategically important economic sector. In such cases, to inform the decision-making process an entity would need to be able to determine assumption price (i.e., the transaction price/historical cost) and compare it with the expected cost of fulfillment.

15. Board Sponsor and staff consider that day one recognition will be at transaction price in the books of the reporting entity. Transaction price is the basis of both historical cost and assumption price. Subsequent to recognition the measurement basis that would meet the qualitative characteristics is cost of fulfillment, and this would be the value shown in the year end statement of financial position, with any gain or loss compared with the assumption price (transaction price/historical cost) recognized during the remainder of the financial year. A specific assumption price measurement basis is therefore not required for financial statement purposes. Appendix B provides a simplified discussion example illustrating this.

The views previously expressed by constituents on 2019 Consultation Paper, Measurement

16. Respondents to the Consultation Paper, *Measurement,* issued in April 2019 supported the view that there should be consistency between draft IPSAS XX, *Measurement* (which did not include assumption price), and the Conceptual Framework. There was negligible support for including guidance on assumption price in the Exposure Draft of IPSAS XX*, Measurement*.

Way Forward

17. The case for not including assumption price in a revised Chapter 7 as proposed in ED 76 remains. Assumption price is never going to be needed as a specific basis for financial reporting purposes, because even in those limited cases where there is an 'assumption price' it will be the same as historical cost. Following assessment of a day one gain or loss, it will be superseded by cost of fulfillment in the year-end financial statements.

18. Board Sponsor and staff consider that, as proposed in the ED, and as supported by most respondents, assumption price should not be included in a revised Chapter 7 of the Conceptual Framework.

Decision Required

19. Does the IPSASB agree with the Board Sponsor and staff recommendation in paragraph 2?

APPENDIX A

Extracts from ED 76 explaining why the IPSASB did not include Assumption Price as a measurement basis for liabilities

BC7.61 Assumption price was defined in paragraph 7.87 of the 2014 Conceptual Framework as:

The amount which the entity would rationally be willing to accept in exchange for assuming an existing liability.

BC7.62 Assumption price is an entity-specific measurement basis included in the 2014 Conceptual Framework and which had not been used in the IPSASB literature at standards level as of 2021. It has some similarities to current cost for liabilities, as defined by the IASB in its *2018 Conceptual Framework*, but refers to a liability of a counterparty, rather than a liability of the reporting entity.

BC7.63 IPSASB assessed the case for retention of assumption price. Some IPSASB members consider that it is appropriate when the government is taking on liabilities at concessionary rates, for example guarantees to banks to facilitate lending to businesses adversely affected by financial crises, and for measuring reinsurance liabilities. The inclusion of assumption price (along with cost of release discussed below in paragraphs 7.65-7.67) was on the grounds that there may be limited circumstances where it might meet the measurement objective.

BC 7.64 The IPSASB concluded that the number of occasions in which public sector entities would accept a monetary amount for assuming a liability are limited, albeit potentially material. In such circumstances, fair value is likely to be a more appropriate measurement basis. Therefore, the IPSASB concluded that there is not a strong case for retention of assumption price.

Appendix B

DISCUSSION EXAMPLE

ASSUMPTION OF PENSION OBLIGATION

Entity F is a for-profit entity with a primary activity of the extraction of fossil fuels. Entity F has obligations of 200 million CU related to a defined benefit pension plan. Entity G has announced its intention to acquire Entity F and has been given preferred bidder status. However, Entity G has indicated that it will not proceed with the acquisition if the pension obligation is included in the combination. Federal Government Entity H supports the planned combination, which it considers in the national interest for strategic economic reasons. Entity H therefore assumes the pension obligation on September 1, 20x3 for consideration of 200 million CU.

Immediately after the assumption of the pension obligation Entity H commissions its own actuarial valuation. This indicates that the cost of fulfillment of the pension obligation in accordance with IPSAS 39, *Employee Benefits*, is 198 million CU.

Accounting

The transaction is recognized initially on 1 September at 200 million CU, which is the pension obligation assumption price (and its historical cost). On December 1, 20x3 Entity H writes down the liability to 198 million CU (its cost of fulfillment) and credits 2 million CU to net surplus/deficit.

In its financial statements for the year to December 31, 2022, displays a liability of 198 million CU. In the notes to the financial statements a disclosure provides details of the reasons for Entity H's assumption of the pension obligation, the assumption price (transaction price/historical cost) and the cost of fulfillment shown in the year-end Statement of Financial Position.

Cost of Release

Question

1. Does the IPSASB approve the recommendation in paragraph 2?

Recommendation

2. Board Sponsor and staff recommend that cost of release is not included as a measurement basis for liabilities in the updated version of Chapter 7, *Measurement of Assets and Liabilities in Financial Statements,* of the Conceptual Framework.

Background

3. Cost of release is one of the measurement bases for liabilities in the 2014 Conceptual Framework. The 2014 Conceptual Framework described cost of release as:

   The amount of an immediate exit from the obligation. Cost of release is the amount that either the creditor will accept in settlement of its claim or a third party would charge to accept the transfer of the liability from the obligor.

4. ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*, did not include cost of release because it is unusual for entities to obtain release from liabilities rather than fulfilling them. The relevant extracts from the Basis for Conclusions in ED 76 are attached at Appendix A.

5. Conceptually, cost of release would only be an appropriate measurement basis if (a) the counterparty would accept a lower amount than the reporting entity would incur by fulfilling the obligation; or (b) a third party will assume the liability for an amount lower than the reporting entity would incur by fulfilling the present obligation.

6. Specific Matter for Comment 6 in ED 76 asked respondents for their views on the proposal not to include cost of release in a revised Chapter 7 as well as assumption price and net selling price which are discussed in Agenda Items 5.2.1 and 5.2.3.

7. Agenda Item 10.2.4 at the March meeting discussed cost of release and noted that most respondents supported the approach in ED 76. The revised quantitative summary of responses is in Table 1 below. This includes an additional response not in the March analysis.

Table 1—Responses to SMC 6: Cost of Release

Response	Respondents	
	#	%
Agree	37	84
Partially Agree	0	0
Disagree	5	11
Subtotal	**42**	**95**
No Comment	2	5
Total	**44**	**100**

8. Three of the five respondents classified as disagreeing with the deletion of cost of release (R06, R07 and R16) expressed a view that the Conceptual Framework should not be influenced by the usage of measurement bases in current standards, but should adopt a broader role by making measurement bases available to standard setters for standards development and for preparers faced with situations not specifically addressed in standards. R06 also argued that the length of time since the approval and publication of the Conceptual Framework is insufficient to assess the need for cost of release (similar points were raised for assumption price and net selling price in Agenda Items 5.2.1 and 5.2.3).

9. R01 cited the relevance of cost of release to provisions and financial instruments. R04 considered that cost of release should be retained in light of the perceived limited discussion of liabilities but did not provide details of circumstances where cost of release might be an appropriate measurement basis.

10. At the March meeting, in light of the issues raised by respondents, Staff was instructed to analyze further the rationale for the retention or deletion of cost of release.

Analysis

11. This further analysis considers:

- The IASB approach.
- The relevance of cost of release to public sector financial reporting.
- The views previously expressed by constituents on 2019 Consultation Paper, *Measurement.*

The IASB approach

12. The IASB's 2010 Conceptual Framework included a short measurement section, which adopted guidance inherited from the International Accounting Standards Committee's 1989 Conceptual Framework. Cost of release was not discussed.

13. In developing the extensive measurement guidance in its 2018 Conceptual Framework the IASB considered cost of release. The Basis for Conclusions described cost of release as depicting the estimated cost (including transaction costs) of obtaining release from a liability by negotiation with the counterparty. This is a narrower concept than that in the IPSASB's 2014 Conceptual Framework, which also includes the amount that a third party would charge to accept the transfer of a liability as a component of cost of release. The IASB decided against inclusion of cost of release in its 2018

Conceptual Framework 'because it is relatively unusual for entities to obtain release from liabilities, instead of fulfilling them.'

The relevance of cost of release to public sector financial reporting

14. Cost of release is not defined in IPSASB's standards-level literature. As noted in the March 2022 agenda papers guidance in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, includes a grey letter reference to 'transfer(ing) an obligation at the reporting date' (IPSAS 19.45) which supplements the black letter reference to 'the best estimate of the expenditure required to settle the present obligation at the reporting date' in IPSAS 19.44. The reference in IPSAS 19.45 is consistent with cost of release, as described in the Conceptual Framework, i.e., it would be appropriate if it is feasible to transfer rather than fulfill the obligation and the cost of this way of settling the obligation is less then fulfilling the obligation.

15. Board Sponsor and staff consider that cost of release gives rise to accountability and audit/assurance issues related to the qualitative characteristic of verifiability. Negotiations with a counterparty or third party are likely to be sensitive and confidential. Unless there is a binding arrangement with a counterparty or third party or a notarized statement the basis for determining cost of release is dubious. From an accountability perspective cost of release gives rise to public interest considerations as it is of questionable propriety for public sector entities to settle obligations other than by fulfilling them. Appendix B provides simplified discussion examples of how cost of release would not be needed in practice, because the revised amount would become the new cost of fulfillment.

The views previously expressed by constituents on 2019 Consultation Paper, Measurement

16. There was strong support for the view that there should be consistency between draft IPSAS XX, *Measurement*, (which did not include Cost of Release), and the Conceptual Framework. The responses to the Consultation Paper, *Measurement,* issued in April 2019 indicated little support for including guidance on cost of release in the Exposure Draft of IPSASXX, *Measurement*.

Way Forward

17. Board Sponsor and staff think that the IASB's reason for not including cost of release is equally if not more relevant in the public sector where it is extremely rare for entities to settle liabilities other than by fulfillment.

18. Board Sponsor and Staff consider that this further analysis has reinforced the case for not including cost of release in a revised Chapter 7 of the Conceptual Framework.

Decision Required

19. Does the IPSASB agree with the Board Sponsor and staff recommendation in paragraph 2?

APPENDIX A

Extracts from Basis for Conclusions of ED 76 explaining why Cost of Release was not included as a measurement basis for liabilities

Cost of Release

BC7.65 Cost of release was defined in paragraph 7.82 of the 2014 Conceptual Framework as the amount of an immediate exit from an obligation–either the amount a creditor will accept in settlement of its claim or a third party would charge to accept the transfer of the liability from the obligor. Cost of release is entity-specific and does not assume an orderly market. At the standards level the measurement requirements and guidance in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, include a grey letter reference to 'transfer(inga) an obligation at the reporting date' (IPSAS 19.45) which supplements the black letter reference to 'the best estimate of the expenditure required to settle the present obligation at the reporting date' in IPSAS 19.44. This reference in IPSAS 19.45 is consistent with cost of release.

BC7.66 The IPSASB noted that the IASB had concluded that it was unnecessary to include cost of release in its *2018 Conceptual Framework*, because it is unusual for entities to obtain release from liabilities, rather than fulfilling them.

BC7.67 Similarly to assumption price, the 2014 Conceptual Framework justified the inclusion of cost of release on the grounds that there may be limited circumstances where it might meet the measurement objective. The IPSASB concluded that standards development since 2014 has not identified sufficient examples of circumstances where cost of release is appropriate to justify retention. The IPSASB therefore decided not to retain cost of release in the updated Conceptual Framework.

APPENDIX B

DISCUSSION EXAMPLE 1: BINDING ARRANGEMENT FOR SERVICES–NEGOTIATION WITH COUNTERPARTY

In accordance with a binding arrangement Entity D has provided consultancy services to Entity C in the period June-November 20x1. The stipulated consideration is 2 million CU. Entity C has budgetary difficulties and negotiates with Entity D for Entity D to accept a lower price. As a goodwill gesture Entity D agrees to accept 1.95 million CU in full and final settlement on December 20th, 20x1. This is evidenced in writing and notarized.

Accounting

On December 20th, 20x1 Entity C reduces the liability to 1.95 million CU and credits the 50k reduction to net surplus/deficit. This revised cost of fulfillment is presented in the financial statements for the year ended December 31st 20x1.

DISCUSSION EXAMPLE 2: ENVIRONMENTAL REMEDIATION–TRANSFER OF LIABILITY TO THIRD PARTY

Entity A has a liability for remediation of a landfill site, which has reached full capacity. Entity A recognized a provision of 10 million CU for the remedial work in its financial statements for 20x1 on the assumption that it would undertake this work itself.

On September 1st, 20x2 Entity A enters into a binding arrangement with Entity B, a for-profit entity that specializes in environmental remediation, whereby Entity B assumes Entity A's obligations for the remediation, because Entity B can undertake these works more efficiently. Under the binding arrangement Entity A will transfer 4.5 million CU in January 20x3 and a further 4.5 million CU in December 20x3 on completion of the work.

Accounting

On September 1st 20x2 Entity A replaces the 10 million CU provision with a 9 million CU liability and recognizes 1 million CU in net surplus/deficit. 9 million CU is the revised cost of fulfillment. This revised position is presented in the financial statements for the year ended December 31st, 20x2. The revised liability is extinguished on settlement in 20x3.

Net Selling Price

Question

1. Does the IPSASB approve the recommendation in paragraph 2?

Recommendation

2. Board Sponsor and staff recommend that net selling price is not included as a measurement basis for assets in the updated version of Chapter 7, *Measurement of Assets and Liabilities in Financial Statements,* of the 2014 Conceptual Framework.

Background

3. Net selling price is one of the measurement bases for assets in the 2014 Conceptual Framework.

   The 2014 Conceptual Framework defined net selling price as:

   The amount that the entity can obtain from the sale of the asset, after deducting the costs of sale.

4. ED 76, *Conceptual Framework Update, Chapter 7, Measurement of Assets and Liabilities in Financial Statements,* did not include net selling price, largely on accountability grounds, because the Board decided that fair value is more appropriate for the determination of the recoverable amount of an asset classified as held for sale than net selling price. The relevant extracts from the Basis for Conclusions in ED 76 are attached at Appendix A.

5. Specific Matter for Comment (SMC) 6 in ED 76 asked respondents for their views on the proposal not to include net selling price in a revised Chapter 7. SMC 6 also included cost of release and assumption price which are discussed in Agenda Items 5.2.1 and 5.2.2.

6. Agenda Item 10.2.4 at the March meeting discussed net selling price and noted that most respondents supported the proposal not to retain it. The revised quantitative summary of responses is in Table 1 below. This includes an additional response not in the March analysis.

Table 2—Responses to SMC 6: Net Selling Price

Response	Respondents	
	#	%
Agree	36	82
Partially Agree	0	0
Disagree	6	14
Subtotal	**42**	**96**
No Comment	2	4
Total	**44**	**100**

7. Those who disagreed with the proposed deletion of net selling price cited conceptual and standards-level considerations. Conceptually it was suggested that the Conceptual Framework should not be led by standards-level requirements but should adopt a broader role. It was questioned whether sufficient time has elapsed since the approval and publication of the Conceptual Framework in 2014 to justify the deletion of net selling price and other measurement bases. These considerations are the same as those on assumption price and cost of release (see Agenda Items 5.2.1 and 5.2.2).

8. A few respondents advocated the retention of net selling price because they considered the measurement basis relevant for the measurement of inventories. This issue is discussed in paragraphs 15 and 16 below.

9. At the March 2020 meeting, staff was instructed to analyze further the rationale for the retention or deletion of net selling price.

Analysis

10. This further analysis considers:

    - The IASB approach.
    - The relevance of net selling price to public sector financial reporting.
    - The views previously expressed by constituents on 2019 Consultation Paper, Measurement.

The IASB approach

11. The IASB's 2010 Conceptual Framework, the measurement section of which adopted guidance inherited from the International Accounting Standards Committee's 1989 Conceptual Framework, discussed realisable value[1]:

    Realisable (settlement) value. Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

12. Realisable value differs from net selling price (as defined in the IPSASB Conceptual Framework) in assuming an orderly disposal. No guidance was provided on what constitutes an orderly disposal. Regardless of terminology, realizable value is closer to fair value as defined in IFRS 13, *Financial Instruments*, than to net selling price.

13. The IASB's 2018 Conceptual Framework greatly expanded the guidance on measurement and included a full chapter. The 2018 Conceptual Framework did not include net realizable value. The Basis for Conclusions (BC) stated that net realizable value depicted the estimated consideration from the sale of the asset reduced by the estimated costs of sale. The BC explained that it is unnecessary to describe net realizable value separately 'because it is derived from another current measure.' That other measure is fair value.

[1] The 2010 IASB Conceptual Framework also discussed historical cost, current cost and present value.

The relevance of net selling price, to public sector financial reporting

14. Net selling price as defined in the IPSASB's 2014 Conceptual Framework is not used in IPSASB's standards-level literature. The March agenda papers noted that paragraphs BC7.35-7.37 of ED 76 provided the reasons for not including net selling price in the revised Chapter 7. Paragraph BC 7.35 highlighted that in its project on non-current assets and discontinued operations, the IPSASB considered whether net selling price should be included as an alternative measure to fair value less costs to sell in determining the recoverable amount of assets held for disposal where a disposal is on negotiated rather than market terms.

15. The IPSASB rejected inclusion of net selling price, largely on accountability grounds, concluding that when an asset is available for sale, then from a public interest perspective in terms of helping maximizing sale proceeds, fair value is more appropriate for the determination of the recoverable amount of an asset. Its use makes the extent of any losses through disposal at below fair value transparent, which net selling price does not. Fair value also meets the qualitative characteristics of financial reporting better than net selling price and therefore provides information that meets the objectives of financial reporting. As a result, the recently published IPSAS 44, *Non-Current Assets and Discontinued Operations*, requires measurement of assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. It does not allow the option of applying net selling price.

16. The analysis now considers whether net selling price is the same, or very similar to, net realizable value in IPSAS 12, *Inventories*, in the assessment of recoverability where inventories are acquired in exchange transactions. Net realizable value is defined as:

    The estimated selling price in the ordinary course of operations, less the estimated cost of completion and the estimated costs necessary to make the sale, exchange and distribution.

17. With minor changes ('operations' rather than 'business' and the addition of 'exchange and distribution' to 'sale'), this definition mirrors that in IAS 2, *Inventories*, from which IPSAS 12 is drawn. After further consideration following the March meeting Board Sponsor and staff do not think that net realizable value and net selling price are the same, because net selling price does not include a criterion that the sale is in the ordinary course of business.

18. IPSAS 12 is based on one of the IASB's oldest standards and in staff's view this needs to be acknowledged in considering use of the term 'net realizable value' in a single standard. Arguably if the standard were to be updated, the IPSAS 44 approach of fair value less costs to sell would be adopted instead for the reasons explained in the Basis for Conclusions to the new standard.

19. Consequently Board Sponsor and staff cannot envisage future circumstances where net selling price would be specified at standards level rather than fair value.

Views expressed by constituents on 2019 Consultation Paper, Measurement

20. There was strong support for the view that there should be consistency between draft IPSAS XX, *Measurement* (which did not include net selling price), and the Conceptual Framework. The Consultation Paper, *Measurement,* issued in April 2019 also expressed a preliminary view (PV) that four measurement bases – fair value, fulfillment value, historical cost and replacement cost – require

standards-level application guidance. A specific matter for comment asked whether further definitions should be added the list. There was no support for defining and adding net selling price.

Way Forward

21. Board Sponsor and Staff consider that this further analysis has reinforced the case for not including net selling price in the updated Chapter 7 of the Conceptual Framework. They especially note that neither net selling price nor net realizable value are defined in the IASB 2018 Conceptual Framework and do not think that there is a stronger case for including net selling price in the public sector than in the for-profit sector.

Decision Required

22. Does the IPSASB agree with the Board Sponsor and staff recommendation in paragraph 2?

APPENDIX A

Extracts from ED 76 explaining why Net Selling Price was not included as a measurement basis for liabilities

BC7.34 Net selling price is an entity-specific measurement basis that was defined in the 2014 Conceptual Framework as:

The amount that the entity can obtain from sale of the asset, after deducting the costs of sale.

BC7.35 In its project on non-current assets and discontinued operations, the IPSASB considered whether net selling price should be included as an alternative measure to fair value less costs to sell in determining the recoverable amount of assets held for disposal where a disposal is on negotiated rather than market terms. The IPSASB rejected inclusion of net selling price, largely on accountability grounds, concluding that fair value is more appropriate for the determination of the recoverable amount of an asset as it generally meets the qualitative characteristics of financial reporting better than net selling price.

BC 7.36 The IPSASB acknowledged the case for an entity-specific, current value measurement basis for assets as an alternative to fair value where there is not an orderly market, such as a distressed or negotiated sale. Events such as financial crises and pandemics have increased the likelihood of such sales. Disposal values will be affected by the impact of such events on general market conditions and therefore reflected in fair value measurements. Aside from general price effects, when disposal is estimated to be below fair value, it is important that the impact on an entity's financial position and financial performance is made fully transparent by disclosing the extent of the losses likely to be made on sale. This can be achieved by showing the difference between an asset's fair value and the sale price. The IPSASB concluded that, in light of the limited information provided by net selling price, its retention in the IPSASB Conceptual Framework was unnecessary.

Review of Responses to SMC 3: Current Operational Value

Question

1. Are there any further issues raised by respondents to Specific Matter for Comment (SMC) 3 on current operational value that should be considered in the further development of a current value measurement basis for assets primarily held for operational capacity?

Recommendation

2. Members are asked to indicate that they support the analysis of responses to SMC 3.

Background

3. ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements,* proposed a new current value measurement basis-current operational value (COV)-for assets primarily held for operational capacity. ED 76 defined COV as:

   The value of an asset used to achieve the entity's service delivery objectives at the measurement date.

4. The term and definition were the same as that in ED 77, *Measurement*.

5. ED 76 included an Alternative View (AV) of Todd Beardsworth. This disagreed with the proposed definition of COV on the grounds that:

   - The definition is unclear;
   - The lack of clarity in the definition risks not achieving the qualitative characteristics of financial reporting; and
   - The definition should focus on the cost of replacing an asset used for its service potential.

6. The AV proposed an alternative definition of COV:

   The cost to replace the service potential embodied in an asset at the measurement date.

7. This AV complemented an AV in ED 77.

8. SMC 3 in ED 76 asked for views on the proposed inclusion of current operational value as a measurement basis for assets.

Analysis

9. 43 of the 44 respondents to ED 76 responded to SMC 3. The quantitative summary of responses is in Table 1. This includes an additional response not in the high-level preliminary summary presented at the March meeting.

Table 3—Responses to SMC 3: Current Operational Value

Response	Respondents	
	#	%
Agree	21	48
Partially Agree	7	16
Disagree	15	34
Subtotal	**43**	**98**
No Comment	1	2
Total	**44**	**100**

10. Responses broadly reflected three high-level views:

- Support for COV as proposed in ED 76. Some respondents suggested ways of improving the guidance on COV or advocated enhanced guidance.
- Explicit support for a public sector specific current value for assets primarily held for operational capacity, but not for COV as defined in ED 76. Some of these respondents favored the AV in ED 76, supported the retention of Replacement Cost as currently defined in the 2014 Conceptual Framework[2], or advocated the development of a measurement basis drawn from current cost in the IASB's 2018 Conceptual Framework[3].
- Firm disagreement with COV. Some of these respondents expressed reservations whether a public sector specific current value for assets primarily held for operational capacity is necessary and favored fair value for measuring assets held for operational capacity. Others considered the explanation of COV deficient, viewed COV as over-complex, or anticipated problems for preparers in implementing COV.

11. Appendix A provides a detailed analysis of the responses.

Way Forward

12. The approach to a current value measurement basis for assets primarily held for operational capacity will be further informed by a presentation from Jonathan Fothergill at the June meeting, which will provide a valuer's perspective and by discussion at the June and September meetings.

Decision Required

13. No decision is required at this meeting.

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[2] The most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date.

[3] The cost of an equivalent asset at the measurement date, comprising consideration and transaction costs. The current cost of a liability is the consideration that would be received for an equivalent liability at the measurement date minus transaction costs.

APPENDIX A

DETAILED ANALYSIS OF RESPONSES TO SMC 3

Respondents agreeing with COV

1. 21 respondents have been classified as agreeing with COV as defined in ED 76 (R3, R12, R14, R15, R18, R20, R23, R25, R27, R28, R30, R32, R33, R35, R36 R37, R38, R40, R43, R44).

2. Some of these respondents considered that the definition and discussion of COV needs to be complemented by illustrative examples. Any illustrative examples will be provided in IPSAS XX, *Measurement.* While it is appropriate for the Conceptual Framework to provide a limited number of very high-level examples to illustrate specific points staff consider it inappropriate for the Conceptual Framework to include detailed examples.

3. R15 considered that the discussion of COV and replacement cost in the Basis for Conclusions should be relocated to the core text. Staff has reservations about this proposal as explanations for changed guidance are normally in the BC rather than the core text. This discussion will, in any case, be updated to reflect developments on a current value for assets primarily held for operational capacity at the June and September Board meetings.

Respondents partially agreeing with COV

4. Seven respondents have been classified as partially agreeing with COV (R01, R05, R08, R11, R39, R41 and R42). All these respondents indicated explicit support for a public sector specific current value for assets primarily held for operational capacity but expressed reservations about COV as proposed in ED 76.

5. R01, R11, R41 and R42 supported the proposed definition in the AV. R01 identified the use of the income approach for measuring current operational value, and lack of clarity about accounting for surplus capacity under current operational value as issues that should be addressed before the suite of draft standards ED 76 – ED 79[4] are issued as final standards.

6. R11 also questioned the appropriateness of the income approach to COV. As pointed out at the March meeting ED 76 acknowledged the need for measurement techniques but did not identify specific measurement bases. Unless the IPSASB decides to change this approach the resolution of issues related to specific measurement techniques is primarily an issue in the further development of IPSAS XX, *Measurement*.

7. R05 considered COV conceptually sound, but envisaged constituents experiencing implementation difficulties and questioned the need for a completely new measurement basis.

8. R11 recommended clarifying the relationship between value in use and COV. Staff agrees with this proposal, which reflects the practical difficulty of operationalizing value in use in a non-cash-

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[4] ED 77, *Measurement*; ED 78, *Property, Plant and Equipment*; ED 79, *Non-Current Assets Held for Sale, and Discontinued Operations.*

generating context. This issue will be considered at a subsequent Board meeting following decisions on the current value measurement basis for assets primarily held for operational capacity.

9. R08 agreed that there is a need for a current value measurement basis for public sector assets held for service delivery and considered that fair value as defined in IFRS 13 is either difficult to apply, or if applied, gives an answer that is not relevant to the continuing operations of the reporting entity. However, similarly to R06 and R07, R08 also questioned whether COV is intended to be a value measurement or a cost measurement.

10. R08 also emphasized the importance of decisions on unit of account and challenged the example in paragraph 7.49 that COV for a vehicle may be less for an entity that usually acquires many vehicles in a single transaction and is regularly able to negotiate discounts than for an entity that purchases vehicles individually. R08 expressed a view that the unit of account should be based on the requirements to deliver the service, i.e., whether the service can be provided by one or a small number of vehicles or requires a fleet and advocated the use of a public sector specific example. The purpose of the example in ED 76, which was brought forward from the 2014 Conceptual Framework, is to demonstrate that COV reflects the procurement position of the reporting entity not how a service is delivered. Staff will review wording and the necessity of the example as the revised Chapter 7 is further developed.

11. R08 also highlighted that an entity-specific measure has a detrimental effect on the QC of comparability. Staff notes that this is an aspect of any entity-specific measurement and that this is acknowledged in paragraph 7.56. The issue is whether, on balance, an entity-specific measurement basis best meets the qualitative characteristics and therefore the objectives of public sector financial reporting.

12. R39 rejected fair value and supported a public sector specific measurement basis. However, R39 expressed reservations about both COV and the alternative definition proposed in the AV. R39 considered the proposed definition of COV to be too general and therefore likely to be subject to diverse interpretations. R39 suggested that the current definition should be improved to be more specific and that it should also consider the concept of service potential.

13. R39 considered that the definition proposed in the AV seems very similar to the cost approach measurement technique, and that this blurred the theoretical distinction between a measurement basis and a measurement technique.

Respondents disagreeing with COV

14. 15 respondents have been classified as disagreeing with COV. Respondents in this category identified conceptual and practical issues, or both. (R02[5],R04, R06, R07, R09, R10, R13, R16, R17, R21, R22, R24, R26, R29, and R31). These responses reflected one or more of the following themes:

- Support for fair value (as defined in IFRS 13, *Fair Value Measurem*ent, IPSAS 41, *Financial Instruments,* ED 76 and ED 77) for measuring assets held for operational capacity with appropriate public sector guidance (R02, R07 (one option identified in preference to COV), R09, R13, and R31).
- A lack of clarity as to what COV is trying to achieve (R02, R06, R07, R16).
- Advocacy of a measurement basis drawn from current cost in the IASB's Conceptual Framework (R06)
- Difficulty in distinguishing the outcome from application of fair value and COV due to the availability of the same measurement techniques for both measurement bases (R07, R09, R31).
- A view that the explanation for COV is complex and confusing and that COV would be difficult to apply (R02, R06, R07, R09, R10, R17, R21, R22, R24, R26, R27, R29, R31)
- A view that the 'highest and best concept' is appropriate, at least in part, in the public sector (R13, R31).
- Tension between cost and value, noting that value is a more nebulous concept than cost. In this view what is being measured is not "the public good value the asset provides, but the current cost for an asset to provide that public good value." (R06, R16).
- Support for the use of (depreciated) replacement cost for specialized assets where market-based evidence is not available (R04, R07, R10, R13, R16, R17).
- Ambiguity over the difference between COV and value in use (R10).

15. R13 provided extensive details on the interpretation of fair value, as defined in IFRS 13, in Australia, where fair value has been used for measuring assets held for operational capacity in the public sector. [6]

16. R07 considered that the use of depreciated replacement cost for specialized assets where market-based evidence is not available under IPSAS 17, *Property, Plant and Equipment*, had worked well in their jurisdiction. R16 made the same point in a different jurisdictional context. R16 advocated the retention of replacement cost and the removal of the cost approach as a measurement

[5] R02 is a regional grouping of national and state auditor-generals. A minority view did not support fair value and favored a current value approach that is 'consistent with how the public sector uses assets, particularly infrastructure assets', but did not support COV which it considered inadequately articulated.

[6] R13 (Australian Accounting Standards Board) has recently issued ED 320, *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.* This proposes authoritative implementation guidance on AASB 13, Fair Value Measurement, and illustrative examples, for application by not-for-profit public sector entities.

technique for fair value. Removal of the cost approach as a technique for fair value would diverge from the IASB's approach to that measurement basis.

17. R06 did not favor fair value and echoed the reservations on COV in the AV. R06 found the explanation in BC 7.27 on the merits of COV vague and confusing, highlighting aspects that require amplification or clarification. R06 advocated a re-orientation of the definition to focus on the cost of replacing an asset for measuring public benefit and service potential rather than value and a renaming of the measurement basis 'current cost' rather than 'COV'. R07 also expressed many of these reservations.

Development Document

June 2021

Development Document

Conceptual Framework Update: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*

International Public Sector Accounting Standards Board®

DOCUMENT DEVELOPMENT

This Development Document has been prepared for information purposes only. It is not a pronouncement of the IPSASB. It has not been reviewed, approved or otherwise acted upon by the IPSASB.

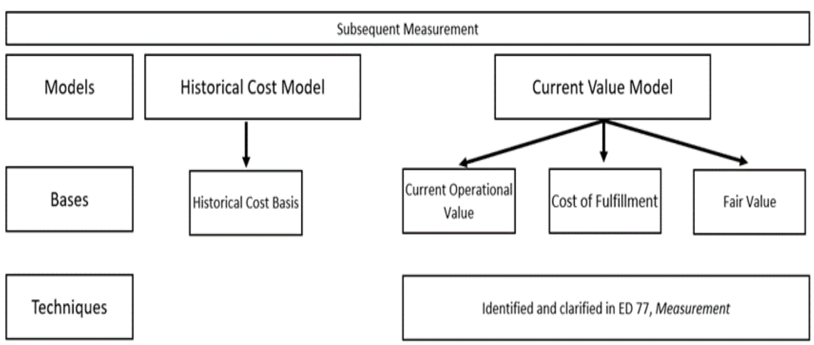
Objective of the Document Comparison

The objective of this Development Document is to support members in their review of the revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*.

Development of Revised Chapter 7

The revised Chapter 7 streamlines the measurement principles in the Conceptual Framework by eliminating unused measurement bases and enhancing focus on those that are commonly used. Chapter 7 proposes a clear subsequent measurement framework to help stakeholders apply the principles in practice and aligns measurement concepts with the guidance provided in IPSAS.

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	Original Source
	CHAPTER 7: MEASUREMENT OF ASSETS AND LIABILITIES IN FINANCIAL STATEMENTS	
No change from ED 76	**Introduction** 7.1 This Chapter identifies the measurement concepts that guide the IPSASB in the selection of measurement bases for IPSAS and by preparers of financial statements in selecting measurement bases for assets and liabilities where there are no requirements in IPSAS.	*ED 76*
No change from ED 76	**The Objective of Measurement** 7.2 The objective of measurement is: *To select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.*	*ED 76*
No change from ED 76	7.3 The selection of measurement bases for assets and liabilities contributes to meeting the objectives of financial reporting in the public sector by providing information that enables users to assess: ● Cost of services—the cost of services provided in the period in historical or current terms; ● Operational capacity—the capacity of the entity to support the provision of services in future periods through physical and other resources; or ● Financial capacity—the capacity of the entity to fund its activities.	*ED 76*
No change from ED 76	7.4 The selection of measurement bases also includes an evaluation of the extent to which the information provided achieves the qualitative characteristics while taking into account the constraints on information in financial reports.	*Framework Chapter 7*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
Change of title and term in accordance with March 2022 decision. *Footnote on transaction price amended in accordance with March 2022 instruction.* *Change of term 'measurement model' to be discussed in September 2022. Diagram will be amended to indicate which measurement bases relate to assets and liabilities.* *Change of term 'measurement model' to be discussed in September 2022*	**Subsequent Measurement Framework** 7.5 On initial measurement, an item is measured at its transaction price[7] unless the transaction price does not faithfully present relevant information about the entity in a manner that is useful in holding the entity to account, and for decision-making purposes. 7.6 Subsequent to initial measurement there are three levels of measurement: • Measurement models • Measurement bases • Measurement techniques **Diagram 1: The subsequent measurement framework and the relationship between the three levels** 	-
No change to ED 76	7.7 **Measurement models** are the broad approaches for measuring assets and liabilities for inclusion in the financial statements.	*ED 76*

[7] Transaction price is the price paid to acquire, construct, or develop an asset or received to assume a liability.

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	7.8 Under the historical cost model, assets and liabilities are measured at historically based amounts. Changes in value due to price changes are not reflected, except for impairments for assets and where an obligation becomes onerous[8] for liabilities.	*ED 76*
No change to ED 76	7.9 Under the current value model, assets and liabilities are measured using information updated to reflect price changes to the measurement date.	*ED 76*
No change to ED 76	7.10 **Measurement bases** are specific approaches to measuring assets and liabilities under the measurement model selected. Measurement bases provide information that best meets the qualitative characteristics while taking into account the constraints on information in financial reports.	-
No change to ED 76	7.11 Dependent on the measurement model, subsequent measurement is either at the historical cost measurement basis or at a current value measurement basis.	*ED 76*
No change to ED 76	7.12 **Measurement techniques** are methods to estimate the amount at which an asset or liability is measured under the selected measurement basis. The selection of a measurement technique depends on factors such as the characteristics of an asset and a liability and the availability of observable data. Guidance on measurement techniques is provided at the standards level.	*ED 76*

[8] An obligation is onerous when the unavoidable costs of meeting the obligation under a binding arrangement exceed the economic benefits or service potential expected to be received under the binding arrangement.

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change. See above on term 'measurement model'	**The Selection of Measurement Models and Measurement Bases** 7.13 It is not possible to identify a single measurement model or measurement basis that best meets the measurement objective at a conceptual level. Therefore, the Conceptual Framework does not propose a single measurement basis (or combination of bases) for all transactions, events and conditions. It provides guidance on the selection of a measurement basis for assets and liabilities in order to meet the measurement objective. It may be necessary to select measurement bases from different measurement models in order to meet the measurement objective.	*ED 76*
No change to ED 76	7.14 The following measurement bases for assets are identified and discussed in terms of (a) the information they provide about the cost of services delivered by an entity, (b) the operational capacity and the financial capacity of an entity; and (c) the extent to which they provide information that meets the qualitative characteristics while taking into account the constraints on information in financial reports: • Historical cost; • Fair value; and • Current operational value.	*ED 76*
No change to ED 76. Value in use to be discussed in September 2022	7.15 Value in use is discussed in paragraphs 7.57-7.62. It is not included in the above list of measurement bases because its use is limited to impairment.	*ED 76*
No change to ED 76.	7.16 The following measurement bases for liabilities are identified and discussed: • Historical cost. • Cost of fulfillment; and • Fair value	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	**Entity-Specific and Non-Entity-Specific Measures** 7.17 Measurement bases may be classified according to whether they are "entity-specific" or "non-entity-specific". Measurement bases that are entity-specific reflect the economic and legal and other constraints that affect the possible uses of an asset and the fulfillment of a liability by an entity. Entity-specific measures may reflect economic opportunities that are not available to other entities and risks to which other entities are not exposed. Non-entity-specific measures reflect general market opportunities and risks. The decision on whether to use an entity-specific or non-entity-specific measurement basis is taken by reference to the measurement objective and the qualitative characteristics.	*ED 76*
No change to ED 76	7.18 Tables 1 and 2 classify the measurement bases for assets and liabilities as entity-specific or non-entity specific.	*ED 76*

Table 1: Classification of Measurement Bases for Assets as Entity Specific or Non-Entity-Specific

Measurement Basis	Entity Specific or Non Entity Specific
Historical cost	Entity-specific
Fair value	Non-entity-specific
Current operational value	Entity-specific

Table 2: Classification of Measurement Bases for Liabilities as Entity Specific or Non-Entity-Specific

Measurement Basis	Entity Specific or Non Entity Specific
Historical cost	Entity-specific
Cost of fulfillment	Entity-specific
Fair value	Non-entity-specific

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
	Entry and Exit Values	
No change to ED 76	7.19 Measurement bases provide either entry or exit values. For assets, entry values reflect the cost of acquisition, construction, or development. Exit values reflect the amount derived from use of the asset and the economic benefits from sale.	*ED 76*
	7.20 For liabilities, entry values relate to the transaction or event under which an obligation is incurred. Exit values reflect the amount required to fulfill or transfer an obligation.	*ED 76*
	7.21 Identifying whether measurement bases provide entry or exit values supports the determination of the approach to transaction costs. Entry-based measurement bases will normally include transaction costs on the acquisition, construction or development of an asset and on the incurrence of a liability. Exit-based measurement bases normally include transaction costs on sale of an asset or fulfillment or transfer of a liability.	*ED 76*
No change to ED 76	**Level of Aggregation or Disaggregation for Measurement** 7.22 In order to present assets and liabilities in the financial statements in a way that provides information that best meets the measurement objective and achieves the qualitative characteristics, it may be necessary to aggregate or disaggregate them for measurement purposes. In assessing whether such an aggregation or disaggregation is appropriate, the costs are compared with the benefits.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	**Measurement Bases for Assets** 7.23 This section discusses the following measurement bases for assets: • Historical cost; • Fair value; and • Current operational value.	*ED 76*
No change to ED 76	**Historical Cost**	
No change to ED 76	7.24 Historical cost is the measurement basis under the historical cost model.	*ED 76*
No change to ED 76	7.25 Historical cost for an asset is: *The consideration given to acquire or develop an asset, which is the cash or cash equivalents, or the value of the other consideration given, at the time of its acquisition or development.*[9]	*ED 76*
No change to ED 76	7.26 Historical cost is an entity-specific measurement basis. Subsequent to initial measurement, the historical cost may be allocated as an expense to reporting periods in the form of depreciation or amortization for certain assets. Depreciation and amortization represent the consumption of as the service potential or ability to generate economic benefits provided by such assets over their useful lives. Consistent with the historical cost model, following initial measurement, the carrying amount of an asset is not changed to reflect changes in prices, except where related to impairment.	*ED 76*

[9] Amounts determined by application of historical cost and the other measurement bases discussed in the Conceptual Framework may be augmented by transaction costs. The Conceptual Framework does not provide detail on the nature of transaction costs. Such guidance is provided at the standards level.

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	7.27 Under the historical cost measurement basis, the amount of an asset may be reduced by recognizing impairments. Impairment is the extent to which the service potential or ability to generate economic benefits provided by an asset has diminished due to changes in economic or other conditions, as distinct to the consumption of an asset. This involves an assessment of the recoverable amount of an asset. Conversely, the amount of an asset may be increased to reflect the cost of additions and enhancements or other events (excluding price increases for unimproved assets) such as the accrual of interest on a financial asset. Depreciation, amortization and impairment are also relevant to current value measurement bases (see paragraph 7.34).	*ED 76*
No change to ED 76	*Cost of Services* 7.28 Where historical cost is used, the cost of services reflects the amount of the resources expended to acquire or develop assets consumed in the provision of services. Historical cost generally provides a direct link to the transactions actually entered into by the entity. Because the costs used are those carried forward from an earlier period without adjustment for price changes, they do not reflect the cost of assets when the assets are consumed. As the cost of services is reported using past prices, historical cost information will not facilitate the assessment of the future cost of providing services if cumulative price changes since acquisition are significant. Where budgets are prepared on the historical cost basis, historical cost information demonstrates the extent to which the budget has been executed.	*ED 76*
	Operational Capacity	

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	7.29 If an asset has been acquired in an exchange transaction, historical cost provides information on the resources available to provide services in future periods, based on their acquisition cost. At the time an asset is purchased or developed, it can be assumed that the value to the entity of its service potential is at least as great as the cost of purchase. When depreciation or amortization is recognized, it reflects the extent to which the service potential of an asset has been consumed. Historical cost information shows that the resources available for future services are at least as great as the amount at which they are stated. If an asset has been acquired in a non-exchange transaction the transaction price will not provide information on operational capacity that meets the qualitative characteristics while taking into account the constraints on information in financial reports.	*ED 76*
	Financial Capacity	
No change to ED 76	7.30 The amount at which assets are stated in financial statements assists in an assessment of financial capacity. Historical cost, less any accumulated impairment losses and depreciation or amortization, can provide information on the amount of assets that may be used as effective security for borrowings. An assessment of financial capacity also requires information on the amount that could be received on sale of an asset and reinvested in assets to provide different services. Historical cost does not provide this information when significantly different from current values. These considerations do not preclude the use of historical cost for measuring assets primarily held for operational capacity.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	*Application of the Qualitative Characteristics* 7.31 Paragraphs 7.28-7.30 explain the areas where historical cost provides relevant information with confirmatory or predictive value. Application of historical cost is often straightforward, because transaction information is usually readily available. As a result, amounts derived from the historical cost model are generally representationally faithful in that they represent what they purport to represent—that is, the cost to acquire, construct or develop an asset based on actual transactions. Because application of historical cost generally reflects resources consumed by reference to actual transactions, historical cost measures are verifiable, understandable and can be prepared on a timely basis.	*ED 76*
No change to ED 76	7.32 Historical cost information is comparable to the extent that assets have the same or similar acquisition dates. Because historical cost does not reflect the impact of price changes, it is not possible to compare meaningfully the amounts of assets that were acquired at different times when prices differed.	*ED 76*
No change to ED 76	7.33 In certain circumstances the application of historical cost necessitates the use of allocations—for example where: • Several assets are acquired in a single transaction; • Assets are constructed by the entity itself and overheads and other costs have to be attributed; and • The use of a flow assumption, such as first-in-first-out, is necessary when many similar assets are held. To the extent such allocations are arbitrary they reduce the extent to which the resulting measurement achieves the qualitative characteristics.	*ED 76*
No change to ED 76	**Measurement Bases for Assets under the Current Value Model** 7.34 Measurements under the current value model reflect the economic environment prevailing at the reporting date. Depreciation, amortization, and impairment, which are discussed in the context of the historical cost measurement basis in paragraphs 7.26 and 7.27, are also relevant to current value measurement bases. Additions and enhancements may affect measurements under current operational value and fair value.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	Original Source
No change to ED 76	7.35 Where an asset is used for service provision and also generates economic benefits, an entity that is using the current value model makes a judgment whether an asset is primarily held for operational capacity or financial capacity, and selects the fair value measurement basis or the current operational value measurement basis.	*ED 76-*
No change to ED 76	**Fair Value**	
No change to ED 76	7.36 Fair value for assets is: *The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.*	*ED 76*
No change to ED 76	7.37 Fair value is appropriate where the asset is being held primarily for its ability to generate economic benefits or with a view to sale. The extent to which fair value meets the objectives of financial reporting and the information needs of users partially depends on the quality of the market evidence. Market evidence, in turn, depends upon the characteristics of the market in which the asset is traded.	*ED 76*
No change to ED 76.	7.38 In principle, fair value measurements provide useful information because they fairly reflect the value of the asset to the entity. In an orderly market (see paragraph 7.40), the asset cannot be valued less than fair value as, disregarding transaction costs, the entity can obtain that amount by selling the asset, and cannot be valued more than fair value, as the entity can obtain the same ability to generate economic benefits by purchasing the same (or similar) asset in the market.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76	7.39 The usefulness of fair value is more questionable when the assumption that markets are orderly does not hold. In such circumstances it cannot be assumed that the asset may be sold for the same price as that at which it can be acquired. Although the purchase of an asset provides evidence that the value of the asset to the entity is at least as great as its purchase price at that time, operational factors may mean that the value to the entity may be greater. Hence, fair value may not reflect the value to the entity of the asset, represented by its operational capacity. Therefore, fair value may not be useful for operational assets that an entity intends to continue to use for service delivery	*ED 76*
No change to ED 76	*Orderly Markets* 7.40 Orderly markets have the following characteristics: ● There are no barriers that prevent the entity from transacting in the market; ● There is sufficient frequency and volume of transactions to provide price information; and ● There are many well-informed buyers and sellers acting without compulsion, so there is assurance of “fairness” in determining current prices—including that prices do not represent distress sales. An orderly market is one that is run in a reliable, secure, accurate and efficient manner. Such markets deal in assets that are identical and therefore mutually interchangeable, such as commodities, currencies and securities where prices are publicly available. In practice few, if any, markets fully exhibit all of these characteristics, but some may approach an orderly market.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
.No change to ED 76	*Fair Value where Markets Cannot be Assumed to be Orderly* 7.41 Markets for assets that are unique and rarely traded are unlikely to be orderly: any purchases and sales are individually negotiated, and there may be a large range of prices at which a transaction might be agreed. Therefore, participants will incur significant costs to purchase or to sell an asset. Where markets are not orderly, it is necessary to use a measurement technique to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. Such measurement technique requires inputs that are directly or indirectly observable, where possible, or unobservable where observable inputs cannot be identified. Measurement techniques are determined at the standards level.	*ED 76*
No change to ED 76.	7.42 Fair value permits a return on assets to be reported. However, public sector entities for which the IPSASB develops and maintains standards do not generally carry out activities with the primary objective of generating profits, and services are often provided in non-exchange transactions or on subsidized terms. Consequently, there may be limited relevance in a reported return derived from fair value.	*ED 76*
No change to ED 76		*ED 76*
	Cost of Services	
No change to ED 76	7.43 Fair value reflects the asset's ability to generate economic benefits and the price expected to be received on sale. Therefore, it provides less useful information for the cost of services than current operational value, which can reflect the value of an asset in its current use.	*ED 76*
	Operational Capacity	
No change to ED 76	7.44 The usefulness of information on the fair value of assets held to provide services is limited. If fair value is significantly lower than historical cost, fair value is likely to be less relevant than the historical cost of such assets in providing information on operational capacity—fair value is also likely to be less relevant than current operational value.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
	Financial Capacity	
No change to ED 76.	7.45 An assessment of financial capacity requires information on an asset's ability to generate economic benefits and the amount that would be received on sale of an asset. This information is provided by fair value. Fair value is therefore an appropriate measurement basis where assets are held for sale or where assets previously held for their operational capacity are surplus to operational requirements.	*ED 76*
	Application of the Qualitative Characteristics	
No change to ED 76	7.46 Values determined in orderly markets can be readily used for financial reporting purposes. The information will meet the qualitative characteristics—that is it will be relevant, representationally faithful, understandable, comparable, and verifiable. Because it can be prepared quickly, such information is also likely to be timely.	*ED 76*
No change to ED 76	7.47 The extent to which fair value measurements meet the qualitative characteristics will decrease as the quality of market evidence diminishes and the determination of such values relies on estimation techniques. As indicated above, fair value is only likely to be relevant to assessments of financial capacity and not to assessments of the cost of services and operational capacity.	*ED 76*
No change to ED 76	**Current Operational Value**	
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.48 Current operational value is: *The value of an asset used to achieve the entity's service delivery objectives at the measurement date.*	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.49 Current operational value reflects the following characteristics. It: • Is based on an asset's current use; • Assumes that an asset will continue to be used for service delivery rather than being sold; and • Is entity specific and therefore reflects the economic position of the entity, rather than the perspective of a market participant. For example, the current operational value of a vehicle may be less for an entity that usually acquires a large number of vehicles in a single transaction and is regularly able to negotiate discounts than for an entity that purchases vehicles individually.	*ED 76*
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.50 An asset supports an entity in achieving its service delivery objectives in its current use. 'Current use' is the current way an asset is used. Current use generally reflects the policy objectives of the entity operating the asset.	*ED 76*
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.51 Current operational value measures the value of an asset, or assets, in supporting the achievement of an entity's service delivery objectives	*ED 76*
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	Cost of Services	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.52 The costs of services are reported in current terms when based on current operational value. Thus, the amount of assets consumed is related to the value of the assets at the time they are consumed—and not, as with historical cost, at the time they were acquired. This provides a valid basis for a comparison between the cost of services and the amount of taxes and other revenue received in the period—which are generally transactions of the current period and measured in current prices—and for assessing whether resources have been used economically and efficiently. It may also provide a useful basis for comparison with other entities that report on the same basis, as asset values will not be affected by different acquisition dates, and for assessing the cost of providing services in the future and future resource needs, as future costs are more likely to resemble current costs than those incurred in the past, when prices were different.	*ED 76*
	Operational Capacity	
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022. Footnote deleted- will not be included in finalized chapter	7.53 As indicated above, current operational value provides a useful measure of the resources available to provide services in future periods, as it is focused on the current value of assets and their service potential to the entity	*ED 76*
	Financial Capacity	

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.54 Current operational value does not provide information on an asset's ability to generate economic benefits or the amounts that would be received on its sale. It therefore may not facilitate an assessment of financial capacity.	*ED 76*
	Application of the Qualitative Characteristics	
No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.55 Current operational value focuses on the value of an asset in supporting the achievement of an entity's current service delivery objectives and therefore provides information that is both relevant and faithfully representative.	- *ED 76*
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No change to ED 76 at present. Development of public sector specific current value for assets primarily held for operational capacity to be considered in September 2022	7.56 Current operational value information is comparable within an entity as assets that provide equivalent service potential are stated at similar amounts, regardless of when those assets were acquired. Different entities may report similar assets at different amounts, because current operational value is an entity-specific measure that reflects the opportunities that are available to the entity to obtain an asset to achieve an entity's service delivery objectives. These opportunities may be the same or similar for different public sector entities. Where they are different, the economic advantage of an entity that is able to acquire assets more cheaply is reported in financial statements through lower asset values and a lower cost of services. This reinforces the ability of current operational value to provide relevant and faithfully representative information. The extent to which current operational value measures meets the qualitative characteristics of timeliness, understandability and verifiability depends on the nature of the asset and the estimation techniques used.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
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	Value in Use	
No change to ED 76 at present. Further consideration in September 2022	7.57 Value in use is applicable for assessments of impairment.	*ED 76*
No change to ED 76 at present. Further consideration in September 2022	7.58 Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of the asset and from its disposal at the end of its useful life. This requires the discounting of cash flows to a present value. Such requirements and guidance are provided at the standards level.	*ED 76*
No change to ED 76 at present. Further consideration in September 2022	7.59 Value in use of a non-cash-generating asset is the asset's remaining service potential at the measurement date. The estimation of service potential requires the use of techniques, which are dependent on the nature of the asset and, because of its applicability to impairment, the indicator of impairment. Such guidance is provided at the standards level.	*ED 76*
No change to ED 76 at present. Further consideration in September 2022 primarily to address relationship between current value measurement	7.60 Value in use for cash-generating assets is complex and subjective, as it requires the projection of cash flows from an entity perspective. Further complexity arises where assets are deployed in combination with other assets. In such cases, value in use can be estimated only by calculating the present value of the cash flows of a group of assets, rather than discretely, and then making an allocation to individual assets. Such allocations may be arbitrary, which may have an adverse impact on faithful representation.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
basis for assets primarily held for operational capacity and value in use. *No change to ED 76 at present. Further consideration in September 2022*	7.61 Value in use for non-cash-generating assets is also complex, as it requires the use of surrogate measurement bases or techniques in order to provide entity-specific estimates of an asset's remaining service potential.	*ED 76*
No change to ED 76 at present. Further consideration in September 2022	7.62 Paragraph 7.35 discusses the situation where an asset is used for service provision and also generates economic benefits, noting that an entity that is using the current value model makes a judgment whether an asset is primarily held for operational capacity or financial capacity, and selects the fair value measurement basis or the current operational value measurement basis. This factor and the complexity and subjectivity discussed above mean that value in use in both a cash-generating and non-cash-generating context is likely to be applicable only to accounting for losses or reversals of losses related to impairment.	*ED 76*
	Measurement Bases for Liabilities	
No change to ED 76 at present.	7.63 This section discusses the measurement bases for liabilities. This section does not repeat all the discussion in the section on assets. It considers the following measurement bases: • Historical cost; • Cost of fulfillment; and • Fair value.	*ED 76*

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
	Historical Cost	
No change to ED 76 at present.	7.64 Historical cost for a liability is: *The consideration received to assume an obligation, which is the cash or cash equivalents, or the value of the other consideration received, at the time the liability is incurred.*	*ED 76*
No change to ED 76 at present.	7.65 Under the historical cost model initial measures are adjusted by using a technique to reflect factors such as the accrual of interest, the accretion of a discount or amortization of a premium.	*ED 76*
No change to ED 76 at present.	7.66 Where the time value of a liability is material — for example, where the length of time before settlement falls due is significant—the amount of the future payment is discounted so that, at the time a liability is initially measured, it represents the value of the amount received. The difference between the amount of the future payment and the present value of the liability is amortized over the life of the liability, so that the liability is stated at the amount of the required payment when it falls due.	*ED 76*
No change to ED 76 at present.	7.67 The advantages and drawbacks of using the historical cost measurement basis for liabilities are similar to those that apply in relation to assets. Historical cost is appropriate where liabilities are likely to be settled at stated terms. However, historical cost cannot be applied for liabilities that do not arise from a transaction, such as a liability to pay damages for a tort or civil damages. It is also unlikely to provide relevant information where the liability has been incurred in a non-exchange transaction, because it does not provide a faithful representation of the claims against the resources of the entity. It is also difficult to apply historical cost to liabilities that may vary in amount, such as those related to defined benefit pension liabilities.	*ED 76*
	Cost of Fulfillment	

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76 at present.	7.68 Cost of fulfillment is: *The costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.*	*ED 76*
No change to ED 76 at present.	7.69 Where the cost of fulfillment depends on uncertain future events, all possible outcomes are taken into account in the estimated cost of fulfillment, which aims to reflect all those possible outcomes in an unbiased manner.	*ED 76*
No change to ED 76 at present.	7.70 Where fulfillment requires work to be done—for example, where the liability is to rectify environmental damage—the relevant costs are those that the entity will incur. This may be the cost to the entity of doing the remedial work itself, or of contracting with an external party to carry out the work. However, the costs of contracting with an external party are only relevant where employing a contractor is the least costly means of fulfilling the obligation.	*ED 76*
No change to ED 76 at present.	7.71 Where fulfillment will be made by the entity itself, the cost of fulfillment does not include any surplus, because any such surplus does not represent a use of the entity's resources. Where the cost of fulfillment is based on the cost of employing a contractor, the amount will implicitly include the profit required by the contractor, as the total amount charged by the contractor will be a claim on the entity's resources.	*ED 76*
No change to ED 76 at present.	7.72 Where fulfillment will not take place for an extended period, the cash flows need to be discounted to reflect the value of the liability at the measurement date.	*ED 76*
No change to ED 76 at present.	7.73 Cost of fulfillment is generally relevant for measuring liabilities except in the circumstances where: • The entity can obtain release from an obligation at a lower amount than cost of fulfillment; or • A liability is assumed for consideration, and that consideration is higher than the cost of fulfillment and the amount to obtain release from an obligation.	*ED 76*
No change to ED 76 at present.	**Fair Value**	

NOTES	**DRAFT ED 76, *Conceptual Framework Chapter 7, Measurement: Update***	*Original Source*
No change to ED 76 at present.	7.74 Fair value for liabilities is: *The price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.*	*ED 76*
No change to ED 76 at present.	7.75 The advantages and disadvantages of fair value for liabilities are the same as those for assets. Such a measurement basis may be appropriate, for example, where the liability is attributable to changes in a specified rate, price or index quoted in an orderly market. However, in cases where the ability to transfer a liability is restricted and the terms on which such a transfer might be made are unclear the case for fair value, is significantly weaker. This is particularly the case for liabilities arising from obligations in non-exchange transactions, because it is unlikely that there will be an orderly market for such liabilities.	*ED 76*

NOTES	DRAFT ED 76, *Conceptual Framework – Limited-Scope Update*	Original Source
	Basis for Conclusions *This Basis for Conclusions accompanies, but is not part of, the Conceptual Framework.* **Background to the Development of the Conceptual Framework and its Updating**	
No change to ED 76 at present.	BC7.1 *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (The Conceptual Framework) was approved in September 2014. The development of the Conceptual Framework included a number of consultation papers and exposure drafts. On approval the IPSASB did not commit to a review of the Conceptual Framework within a specified timeframe. Although views were expressed that the Conceptual Framework should be a ‘living document’ subject to regular updates there was a broader view that it should be allowed to ‘bed down’ for a significant period. Over-frequent amendments to the Conceptual Framework also undermine the accountability that it imposes on the IPSASB in explaining approaches developed at the standards level.	*ED 76*
Minor change referring to issuance of ED 76.	BC7.2 In 2018, after having been applied in standards development for over three years, the IPSASB considered that a limited review of certain aspects of the Conceptual Framework would be appropriate. The IPSASB’s project on Measurement was a principal factor in this view. In addition, the International Accounting Standards Board (IASB) was about to issue its finalized Conceptual Framework with post-2014 developments on measurement of potential relevance to the public sector. The IPSASB therefore proposed a limited-scope update project in its Strategy and Work Plan Consultation in 2018. The proposed project received significant support from respondents for the reasons outlined by the IPSASB. The IPSASB initiated the project in March 2020. An exposure drafts of a revised Chapter 7 was issued in April 2021.	*ED 76*

No change to ED 76	BC7.3	The IPSASB decided that the initial measurement focus of the 2014 Conceptual Framework should be on measurement of the elements for the financial statements in order to put future standard setting activities for the financial statements on a sound and transparent footing. While a few respondents to the Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* (the Consultation Paper), questioned this approach, the IPSASB considered that the original rationale for restricting the scope of this phase was sound and reaffirmed it. The Limited Scope Update initiated in 2020 did not reopen this issue.	*ED 76*
	The Objective of Measurement		
No change to ED 76	BC7.4	In developing the 2014 Conceptual Framework the IPSASB considered whether a specific measurement objective should be developed. The IPSASB initially took the view that a separate measurement objective was unnecessary, because a measurement objective might compete with, rather than complement, the objectives of financial reporting and the qualitative characteristics. Accordingly, the 2013 Exposure Draft, *Measurement of Assets and Liabilities in Financial Statements* (the Exposure Draft), proposed factors relevant to the selection of a measurement basis consistent with the objectives of financial reporting and the qualitative characteristics, but did not include a measurement objective.	*ED 76*
No change to ED 76	BC7.5	Consistent with this approach the 2013 Exposure Draft proposed that the Conceptual Framework would not seek to identify a single measurement basis (or combination of bases) for all circumstances. The IPSASB acknowledged that proposing a single measurement basis to be used in all circumstances would clarify the relationship between different amounts reported in the financial statements—in particular, it would allow the amounts of different assets and liabilities to be aggregated to provide meaningful totals. However, the IPSASB is of the view that there is no single measurement basis that will maximize the extent to which financial statements meet the objectives of financial reporting and achieve the qualitative characteristics.	*ED 76*

No change to ED 76	BC7.6	The Exposure Draft included an Alternative View which proposed a measurement objective on the grounds that a Conceptual Framework that does not connect the objective of measurement with the objectives of financial reporting is incomplete and would limit the ability of the IPSASB to make consistent decisions about measurement across financial reporting standards and over time. Further, in the absence of a measurement objective, the Alternative View considered that there is a risk that different and/or inappropriate measurement bases could be used to measure similar classes of assets and liabilities. The Alternative View proposed the following measurement objective: *To select those measurement attributes that most fairly reflect the financial capacity, operational capacity and cost of services of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.*	*ED 76*
No change to ED 76	BC7.7	Many respondents, while generally in favor of the approach in the Exposure Draft, supported the Alternative View. The IPSASB also acknowledged the view that the Conceptual Framework's approach to measurement should be aspirational and that the Conceptual Framework should identify a single measurement basis underpinned by an ideal concept of capital[10]. The IPSASB accepts that a concept of capital related to operating capability is relevant and could be developed for public sector entities with a primary objective of delivering services. However, adoption of such a measurement objective involves a virtually explicit acknowledgement that current cost measures are superior to historical cost measures in representing operational capacity when financial position is reported. For the reasons discussed in paragraphs BC7.20–BC7.24, the IPSASB considers that historical cost measures often meet the measurement objective and therefore should be given appropriate emphasis in the Conceptual Framework.	*ED 76*

[10] Such concepts of capital include invested money capital, current cash equivalents and physical capital.

No change to ED 76	BC7.8	Subsequently the IPSASB was persuaded by the views of those who argue that a measurement objective is necessary in order to guide standard-level decisions on the selection of measurement bases. However, the IPSASB noted that assets and liabilities contribute to the financial performance and financial position of entities in different ways and that such an assessment should be based on the extent to which they contribute to financial capacity and operational capacity. The IPSASB concluded that linking a measurement basis to an ideal concept of capital might unduly restrict the choice of measurement bases. The IPSASB therefore rejected the view that adoption of the measurement objective should be based on an ideal concept of capital and reaffirmed its view that a mixed measurement approach is appropriate for standard setting in the public sector.	*ED 76*
No change to ED 76	BC7.9	The IPSASB considered whether the measurement objective proposed in the Alternative View was appropriate. Some argued that the proposed measurement objective was too aligned to current value measures. However, the IPSASB formed a view that the reference to “cost of services” provides a sufficient link to historical cost, because the cost of services can be determined using both historical cost and current value measures. The IPSASB therefore adopted the following measurement objective with only a minor modification from that proposed in the Alternative View: *To select those measurement bases that most fairly reflect the cost of services, and operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.*	*ED 76*

No change to ED 76	BC7.10 The IPSASB also noted that the disadvantages of using different measurement bases may be minimized by: ● Selecting different measurement bases only where this is justified by economic circumstances, thereby ensuring that assets and liabilities are reported on the same basis where circumstances are similar; and ● Requiring transparent presentation and disclosure to ensure that the measurement bases used and the amounts reported on each basis are clear.	*ED 76*
New paragraph BC7.11 to indicate that IPSASB reaffirmed measurement objective.	BC7.11 The IPSASB reaffirmed the need for a measurement objective and the existing wording in the Limited-scope Update project.	-
	BC7.11A In revising Chapter 7 the IPSASB also decided that it is inappropriate for the Conceptual Framework to provide detailed guidance on which assets are held and liabilities are incurred for financial capacity and operational capacity. Such guidance is provided at the standards-level.	
	Subsequent Measurement Framework	
Paragraphs BC7.12-BC7.13 explain the Board's decision to include a measurement hierarchy	BC7.12 Chapter 7 of the 2014 Conceptual Framework did not explicitly identify measurement levels. The IASB's *Conceptual Framework for Financial Reporting* distinguishes three measurement levels: (a) Measures or Categories of Measurement Bases (the latter term is used in Basis for Conclusions). (b) Measurement Bases. (c) Measurement Techniques.	

	BC7.13 The IPSASB considered that distinguishing different levels, and building on the IASB's approach, would provide an analytical framework to inform the development of measurement requirements and guidance. Because the distinction between measures and measurement bases might be ambiguous the following three levels were adopted for the ED 76 and Exposure Draft 77, *Measurement*: (a) Measurement Models**:** broad approaches to measuring assets and liabilities for inclusion in the financial statements. (b) Measurement Bases: specific approaches to measuring assets and liabilities that provide the information that best meets the qualitative characteristics under the model selected. (c) Measurement Techniques**:** methods to estimate the amount at which an asset or liability is measured under the selected measurement basis.	
New paragraph added to explain use of term 'Subsequent Measurement Framework'	BC7.13A In ED 76 the IPSASB used the term "Measurement Hierarchy to describe this approach. Some respondents to ED 76 commented that the term was misleading because a hierarchy implies a prioritization of measurement models, measurement bases and measurement techniques. The IPSASB accepted this point and adopted the term' Subsequent Measurement Framework'. This term also emphasizes that the guidance relates to measurement subsequent to recognition rather than measurement at recognition.	*Additional paragraph not in ED 76*
No change to ED 76 at present. Alternative term to 'model' to be considered in September 2022.	BC7.14 In identifying measurement models and measurement bases the IPSASB reaffirmed the view in the 2014 Conceptual Framework that there is not a single measurement basis that best meets the measurement objective, and, consistent with this view, that there is not one model that best meets the measurement objective. Consequently, the IPSASB identified the historical cost model as one of the two models. and retained historical cost as a measurement basis for both assets and liabilities.	*ED 76*

Added in accordance with March 2022 instruction noting that term' measurement model' may be modified.	BC7.14A A number of factors influence the selection of a measurement model. These include the requirements of individual IPSAS and the decisions of regulators. Where individual standards provide accounting policy options and regulatory requirements do not specify a measurement model, preparers may select a measurement model. In such cases preparers consider the objectives of financial reporting and the qualitative characteristics.	*Additional paragraph not in ED 76*
Added to reflect IPSASB view at March 2022 meeting	BC7.14B The IPSASB is aware of views that selection of a measurement basis should take into account broader macro-economic and social aspects external to the reporting entity. This view was reflected in a response to ED 76. The IPSASB reaffirmed that the public interest is best served by selection of a measurement basis to meet the qualitative characteristics while taking account of the constraints of financial reporting and thereby meeting the objectives of financial reporting.	
No change to ED 76	BC7.15 The IPSASB considered whether to identify and discuss measurement techniques in the Conceptual Framework. The IPSASB concluded that a detailed analysis of measurement techniques is not appropriate for the Conceptual Framework and that guidance should be provided at the standards level. Therefore, in its discussion of the measurement hierarchy, the Conceptual Framework explains that measurement techniques are needed to operationalize current value measurement bases. However, the Conceptual Framework does not identify or analyze specific techniques. Exposure Draft 77, *Measurement,* discusses measurement techniques in more detail and proposes application guidance.	*ED 76*
	Entity-Specific and Non-Entity-Specific Values, Observability in a Market, Entry and Exit Values	

Additional sentences added.	BC7.16	The 2014 Conceptual Framework classified measurement bases as: (i) entity specific or non-entity specific;(ii) whether they provide information that is observable in an orderly market; and (iii) whether they provide entry or exit values. The IPSASB considered that the distinction between entity-specific and non-entity specific measurement bases and the relationship with the measurement objective and qualitative characteristics is robust. It indicates whether measurement bases reflect the expectations of market participants and impacts the selection of a measurement basis. While reservations are sometimes expressed that entity-specific measurement bases do not facilitate inter-entity comparisons the response to ED 76 did not bring forward new issues previously unconsidered by the IPSASB. The IPSASB therefore concluded that awareness of whether a measurement basis is entity specific or non-entity specific is helpful in the selection of a measurement basis and decided to retain the classification in revised Chapter 7.	*ED 76 with additional material.*
No change to ED 76	BC7.17	The IPSASB decided that the characteristic of observability in a market is relevant to selection of a measurement technique once a measurement basis has been selected, rather than directly to the measurement basis itself. Consistent with the conclusion in paragraph BC7.15 that detailed guidance on measurement techniques is more appropriately addressed at the standards level, the IPSASB decided not to retain a discussion of observability in a market in the Conceptual Framework, but to refer to the 'availability of observable data' as an example of a factor in selection of a measurement technique.	*ED 76*
No change to ED 76	BC7.18	Entry values reflect the cost of acquisition, while exit values reflect the amount that an entity derives from use of the asset and its disposal. For liabilities, entry values reflect the amount at which a liability is incurred and exit values reflect the amount to fulfill a liability. In rarer cases, entry values reflect the amount at which a liability is assumed and exit values reflect the amount to release an entity from an obligation.	*ED 76*

No change to ED 76	BC7.19 The IPSASB is of the view that the key factor in selection of a measurement basis is the measurement objective; in particular, whether an asset is primarily held for its operational or financial capacity and the characteristics of a liability. The IPSASB concluded that the distinction between entry and exit values is useful in deciding whether a measure includes transaction costs, and, if so, whether on acquisition or disposal of an asset or the incurrence or disposal/settlement of a liability. The Conceptual Framework therefore includes a high-level discussion on entry and exit values, but does not classify measurement bases as entry or exit.	*ED 76*
	Measurement Bases for Assets *Historical Cost*	
No change to ED 76	BC7.20 Historical cost is a measurement basis applied in many jurisdictions. Many respondents to the Consultation Paper and the Exposure Draft that preceded the 2014 Framework advocated the continued widespread use of historical cost as a measurement basis, mostly in combination with other measurement bases. They supported this view by reference to the accountability objective and the understandability and verifiability of historical cost information. They also noted that, because historical cost is widely adopted in combination with other measurement bases, its continued use avoids the costs that would arise if a future revision of a current standard that requires or permits historical cost were to require the use of a different measurement basis.	*ED 76*
No change to ED 76	BC7.21 Some respondents considered that historical cost information provides a highly relevant basis for the reporting of the cost of services because the link between historical cost and the transactions actually undertaken by the entity is particularly important for an assessment of accountability. In particular, historical cost provides information that resource providers can use to assess the fairness of the taxes they have been assessed, or how the resources that they have otherwise contributed in a reporting period have been used.	*ED 76*

No change to ED 76	BC7.22 The IPSASB agreed that, in many contexts, it is relevant to provide information on the transactions actually carried out by the entity, and accepted that users are interested in the cost of services based on actual transactions. Historical cost provides information on what services actually cost in the reporting period, rather than what they will cost in the future; pricing decisions based on historical cost information may promote fairness to consumers of services.	*ED 76*
No change to ED 76	BC7.23 The IPSASB also acknowledged the views of those who consider that the use of historical cost facilitates a comparison of actual financial results and the approved budget. The IPSASB accepts that budgets may often be prepared on a historical cost basis and that where this is the case historical cost enhances comparison against budget.	*ED 76*
No change to ED 76	BC7.24 The IPSASB also acknowledged a contrary view: that assessing and reporting the cost of providing services in terms of the value that has been sacrificed in order to provide those services provides useful information for both decision making and accountability purposes. Because historical cost does not reflect the value of assets at the time they are consumed, it does not provide information on that value in circumstances where the effect of price changes is significant. The IPSASB concluded that it is important that the Conceptual Framework responds to both these contrasting perspectives.	*ED 76*
	Fair Value	

Minor changes to ED 76 to comment on support for inclusion of fair value	BC7.25 Shortly before the 2014 Conceptual Framework was finalized the IASB approved IFRS 13, *Fair Value Measurement.* IFRS 13 adopted an explicitly exit-based definition of fair value. This differed from the definition of fair value in the IPSASB's literature, which was aligned with the pre-IFRS 13 definition of fair value. The IPSASB decided to rename its fair value definition as 'market value'. The aim was to avoid two global standard setters using the term 'fair value' with different definitions in future standards development. Unlike the revised IASB definition of fair value, market value could be appropriate for non-specialized physical assets held for operational capacity as well as assets held for financial capacity. Since 2014 the IPSASB's standards-level work, especially that on financial instruments, has led the IPSASB to conclude that a non-entity-specific current value measurement basis is necessary for both assets and liabilities. This view was reflected in IPSAS 41, *Financial Instruments*, and in the illustrative exposure draft in Consultation Paper, *Measurement.* ED 76 therefore included fair value for both assets and liabilities based on the IASB's exit-based definition of fair value. Respondents to ED 76 strongly supported the inclusion of fair value as defined in IPSAS 41. No major issues were raised, and fair value has therefore been included in the revised Chapter 7.	*ED 76*
New paragraph	BC 7.25A Some respondents to ED 76 suggested that the Conceptual Framework should provide more guidance on the characteristics of an orderly market. The IPSASB considered that detailed guidance on orderly markets would be inappropriate at the conceptual level and concluded that the guidance in paragraph 7.40 is adequate.	*Not in ED 76*
	Current Operational Value	
No change to ED 76 currently. Further consideration of current value measurement bases for assets primarily held for operational capacity at September meeting	BC7.26 The 2014 Conceptual Framework included replacement cost as a current value measurement basis, envisaging that it would be appropriate for specialized assets. As noted in paragraph BC7.25 the IPSASB has adopted an exit-based definition of fair value. The cost approach, a measurement technique for fair value, has some similarities to replacement cost. These inter-related factors necessitated the development of a measurement basis that can be applied to assets held primarily for operational capacity.	*ED 76*

No change to ED 76 currently. Further consideration of current value measurement bases for assets primarily held for operational capacity at September meeting	BC7.27 The IASB's 2018 Framework included current cost as a measurement basis for both assets and liabilities. The IPSASB considered whether current cost should be adopted as a current value measurement basis for assets that are primarily held for operational capacity (see below paragraph BC7.68 for a discussion of current cost for liabilities). The IPSASB formed a view that a measurement basis similar to current cost is relevant in a public sector context for both specialized assets and non-specialized assets held for operational capacity. However, rather than the cost of an equivalent asset in the IASB's definition of current cost, the IPSASB formed a view such a measurement basis should reflect an asset's existing use in delivering services. The IPSASB decided to use the term 'current operational value' for this measurement basis. Current operational value is a versatile measurement basis. For non-specialized assets, it can be supported by directly market-based measurement techniques with similarities to market value. For specialized assets, measurement techniques to determine the value of the asset may be applied. The updated Conceptual Framework therefore includes current operational value as a measurement basis for assets primarily held for operational capacity.	*ED 76*
	Measurement Bases and Approaches for Assets not included in the Updated Conceptual Framework	
No change to ED 76	BC7.28 The following measurement bases and approaches for assets in the 2014 Conceptual Framework have not been included in the updated version: • Market value; • Replacement cost; • Net selling price; and • Value in use.	*ED 76*

No change to ED 76	BC7.29 The following measurement bases were considered for inclusion and rejected: • Symbolic value; • Synergistic value; and • Equitable value.	*ED 76*
No change to ED 76	BC7.30 In developing the 2014 Conceptual Framework the IPSASB also considered and rejected the deprival value model, which is an approach to selection of a measurement basis, rather than a measurement basis in its own right.	*ED 76*
	Market Value	
Additional material added confirming reasons for non-retention of market value	BC7.31 In light of the decision to include fair value and current operational value as measurement bases under the current value model, the IPSASB considered whether it was necessary to retain market value as a measurement basis for assets. The IPSASB considered that fair value is the current value measurement basis that best meets the measurement objective where assets are held for financial capacity and for determining the amount of a liability that can be transferred to a third party under current market conditions. Current operational value is the current value measurement basis that best meets the measurement objective where assets are held for operational capacity, because it does not include a 'highest and best use' market-based assumption, and, as an entity-specific measurement basis, does not reflect the expectations of market participants. The IPSASB therefore concluded that it was not necessary to retain market value. Market-based techniques can be used to operationalize the fair value and current operational value measurement bases. Such decisions are made at the standards level. Respondents to ED 76 strongly supported the deletion of market value. No major issues were raised, and market value has therefore not been included in the revised Chapter 7.	*ED 76*
	Replacement Cost	

No current change to ED 76. Approach to current value measurement basis for assets primarily held for operational capacity to be considered at September meeting	BC7.32 Replacement cost was defined in the 2014 Conceptual Framework as: *The most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date).*	*ED 76*
No current change to ED 76. Approach to current value measurement basis for assets primarily held for operational capacity to be considered at September meeting	BC7.33 In light of the decision to include current operational value as the most appropriate current value measurement basis for operational assets, the IPSASB considered whether it was necessary to retain replacement cost as a measurement basis. The IPSASB considered that the rationale for including replacement cost as a measurement basis in the 2014 Conceptual Framework is robust that an appropriate measurement basis for specialized assets should provide information on the cost of service potential that is attributable to the asset. As noted above, current operational value is a more versatile measurement basis, as it can be applied to both specialized and non-specialized assets. Measurement techniques can be selected appropriate to the nature of the asset.	*ED 76*
No current change to ED 76.	**Net Selling Price**	*ED 76*
No current change to ED 76.	BC7.34 Net selling price is an entity-specific measurement basis that was defined in the 2014 Conceptual Framework as: *The amount that the entity can obtain from sale of the asset, after deducting the costs of sale*.	*ED 76*

No current change to ED 76. Paragraphs may be revised following discussion of retention of net selling price at June meeting.	BC7.35 In its project on non-current assets and discontinued operations, the IPSASB considered whether net selling price should be included as an alternative measure to fair value less costs to sell in determining the recoverable amount of assets held for disposal where a disposal is on negotiated rather than market terms. The IPSASB rejected inclusion of net selling price, largely on accountability grounds, concluding that fair value is more appropriate for the determination of the recoverable amount of an asset as it generally meets the qualitative characteristics of financial reporting better than net selling price.	*ED 76*
No current change to ED 76. Paragraphs may be revised following discussion of retention of net selling price at June meeting.	BC7.36 The IPSASB acknowledged the case for an entity-specific, current value measurement basis for assets as an alternative to fair value where there is not an orderly market, such as a distressed or negotiated sale. jurisdictions events such as financial crises and pandemics have increased the likelihood of such sales. Disposal values will be affected by the impact of such events on general market conditions and therefore reflected in fair value measurements. Aside from general price effects, when disposal is estimated to be below fair value, it is important that the impact on an entity's financial position and financial performance is made fully transparent by disclosing the extent of the losses likely to be made on sale. This can be achieved by showing the difference between an asset's fair value and the sale price. The IPSASB concluded that, in light of the limited information provided by net selling price, its retention in the IPSASB Conceptual Framework was unnecessary. Net selling price and net realizable value, which is very similar, may be specified at the standards-level, as is currently the case for net realizable value in IPSAS 12, *Inventories.*	*ED 76*
No change to ED 76	**Value in Use**	*ED 76*

No change to ED 76. The BC paragraphs on value in use will be amended if necessary following discussion in September 2022.	BC7.37	The IPSASB considered whether to retain value in use as a current value measurement basis for assets in the Conceptual Framework.	*ED 76*
No change to ED 76. The BC paragraphs on value in use will be amended if necessary following discussion in September 2022.	BC7.38	The IPSASB noted that the definition in the 2014 Conceptual Framework was not fully consistent with that in the IASB's Conceptual Framework, because it is not limited to the cash-generating context and includes a reference to 'service potential'[11]. In its standards development since approval of the Conceptual Framework, the IPSASB has placed increased emphasis on the consistent use of terminology and definitions by global standard setters.	*ED 76*
No change to ED 76. The BC paragraphs on value in use will be amended if necessary following discussion in September 2022.	BC7.39	The IPSASB acknowledged the importance of value in use in assessments of impairment gains or losses. The IPSASB also noted that value is use requires complex and subjective projections of cash flows generated by an asset or of the service potential provided by an asset. Complexity increases where assets generate cash flows in combination with other assets.	*ED 76*
No change to ED 76. The BC paragraphs on value in use will be amended if necessary following discussion in September 2022.	BC7.40	The IPSASB acknowledged that some assets both generate cash flows and are used in the delivery of services. In such circumstances the IPSASB reaffirmed that, for financial reporting purposes, preparers of financial statements need to make a professional judgment of the primary purpose for which an asset is held. Under the current value model, where assets are primarily held for operational capacity, current operational value is applied; where assets are primarily held for financial capacity, fair value is applied. The continued applicability of value in use is therefore likely to be limited to impairment.	*ED 76*

[11] The definition of value in use in paragraph 7.58 of the 2014 Conceptual Framework was: *The present value to the entity of the asset's remaining service potential or ability to generate economic benefits if it continues to be used, and of the net amount that the entity will receive from its disposal at the end of its useful life.*

New paragraph	BC7.40A A few respondents to ED 76 suggested that the Conceptual Framework should provide guidance on determining cash flows. While the IPSASB acknowledges that determining cash flows can be complex the IPSASB concluded that such guidance is inappropriate at the conceptual level and should be provided at the standards level.	*Not in ED 76*
No change to ED 76. The BC paragraphs on value in use will be amended if necessary following discussion in September 2022.	BC7.41 In light of the above factors the IPSASB decided to replace the definition of value in use with a limited discussion in paragraphs 7.57-7.62 of the updated Chapter.	*ED 76*
No change to ED 76	**Symbolic Values**	*ED 76*
No change to ED 76	BC7.42 In some jurisdictions certain assets are recognized on the statement of financial position at symbolic values, typically one unit of the presentation currency. This treatment is adopted in order to recognize assets on the face of the statement of financial position when it is difficult to obtain a valuation. Supporters of symbolic values consider that they provide useful information to users of financial statements and facilitate a linkage between asset management and accounting processes.	*ED 76*
No change to ED 76	BC7.43 The IPSASB acknowledged that such an approach is intended to provide useful information. However, in the development of the 2014 Conceptual Framework the majority of IPSASB members took the view that symbolic values do not meet the measurement objective, because they do not provide relevant information on financial capacity, operational capacity or the cost of services. The majority of the IPSASB concluded that the decision whether to recognize an item as an asset should be made following an assessment of whether the item meets the definition of an asset and recognition criteria in Chapter 5, *Elements in Financial Statements*, and Chapter 6, *Recognition in Financial Statements*. The IPSASB did not further consider the issue of symbolic values in the Limited-scope Update project.	*ED 76*

No change to ED 76	**Equitable Value and Synergistic Value**	*ED 76*
No change to ED 76	BC7.44 The IPSASB considers that the development of conceptual and standards-level projects evaluates the requirements and guidance in International Valuation Standards (IVS) and Government Finance Statistics. In its Limited-scope Scope Update project, the IPSASB evaluated two concepts in IVS as potential measurement bases in the Conceptual Framework—equitable value and synergistic value.	*ED 76*
No change to ED 76	BC7.45 IVS defines equitable value as the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.	*ED 76*
No change to ED 76	BC7.46 IVS defines synergistic value as the result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values	*ED 76*
No change to ED 76	BC7.47 Equitable value has similarities to net selling price and synergistic value relates to unit of account. The IPSASB considered net selling price in the limited scope update of the Conceptual Framework and decided not to retain this measurement basis (see above paragraphs BC7.34-BC7.36). The IPSASB plans work on unit of account in the second phase of the Limited Scope Update. The IPSASB therefore concluded that including equitable value and synergistic value as specific measurement bases in the Conceptual Framework was unnecessary.	*ED 76*
No change to ED 76	**Deprival Value Model**	*ED 76*

No change to ED 76	BC7.48	The 2011 Conceptual Framework Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements* discussed the deprival value model as a rationale for selecting a current value measurement basis. Some respondents expressed reservations—in particular that the model would be costly and impose a disproportionate burden on preparers to have to consider a number of possible measurement bases for each asset that is reported. A number of respondents also considered that it is overly complex. A view was also expressed that the deprival value model unduly exaggerates the qualitative characteristic of relevance and neglects the other qualitative characteristics.	*ED 76*
No change to ED 76	BC7.49	Although the IPSASB recognized that the deprival value model has been adopted successfully in some jurisdictions, the IPSASB acknowledged such reservations in whole or part. The IPSASB therefore included the deprival value model in the 2013 Conceptual Framework Exposure Draft, *Measurement of Assets and Liabilities in* Financial Statements. That Exposure Draft proposed the deprival value model as an optional method of choosing between replacement cost, net selling price, and value in use where it had been decided to use a current measurement basis, but the appropriate basis could not be identified by reference to the objectives of financial reporting and the qualitative characteristics.	*ED 76*
No change to ED 76	BC7.50	Although a minority of respondents to the 2013 Conceptual Framework Exposure Draft were highly supportive of the deprival value model, many respondents continued to express reservations about the model's complexity. The IPSASB also acknowledged a technical ambiguity in the deprival value model—if net selling price is higher than replacement cost a development opportunity might be indicated and that users should be provided with this information, which the deprival value model would not do. Due to these factors the IPSASB decided not to include the deprival value model in the Conceptual Framework. The deprival value model was not considered in the Limited-scope Update.	*ED 76*

No change to ED 76	**Measurement Basis for Liabilities in the Updated Conceptual Framework**	*ED 76*
	Fair Value	
Additional sentences added confirming inclusion of fair value	BC7.51 Paragraph BC7.25 discusses the inclusion of fair value for assets in the updated Conceptual Framework. Consistent with the analysis for assets, the IPSASB decided that fair value is an appropriate measurement basis for many liabilities depending on their characteristics. The updated measurement chapter therefore includes fair value for liabilities. As noted for assets in paragraph BC7.25 respondents to ED 76 strongly supported the inclusion of fair value as defined in IPSAS 41. No major issues were raised, and fair value has therefore been included in the revised Chapter 7.	*ED 76 with additional material*
No change to ED 76	**Cost of Fulfilment**	*ED 76*
No change to ED 76	BC7.52 The 2014 Conceptual Framework, in paragraph 7.74, defined cost of fulfillment as: *The costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.*	*ED 76*
No change to ED 76	BC7.53 In its 2018 Framework the IASB included fulfilment[12] value, defined as: *The present value of the cash, or other economic resources, that an entity expects to be obliged to transfer as it fulfils a liability.*	*ED 76*
No change to ED 76	BC7.54 In light of this development the IPSASB considered whether to (a) adopt the term 'fulfillment value' rather than cost of fulfillment while retaining the original definition of cost of fulfillment (b) adopt the term 'fulfillment fulfilment value' and the definition in the IASB Framework; or (c) another approach.	*ED 76*

[12] The IPSASB uses the word 'fulfillment'. The IASB uses the word 'fulfilment'. This reflects usage respectively in North America and the United Kingdom. Hereafter the word 'fulfillment' is used.

No change to ED 76	BC7.55 A number of respondents to the IPSASB's 2019 Consultation Paper, *Measurement*, pointed out that fulfillment value reflects a risk premium, whereas cost of fulfillment is silent on risk premia. A risk premium, which is also known as a risk margin or risk adjustment, is the price for bearing the uncertainty inherent in the cash flows. The IPSASB concluded that using the term 'fulfillment value' with a definition different to that of the IASB was inappropriate. The IPSASB also decided that the inclusion of a risk premium should be determined at the standards level.	*ED 76*
No change to ED 76	BC7.56 The IPSASB concluded that the existing definition of cost of fulfillment should be retained. The IPSASB acknowledged that the term itself is similar to fulfillment value, but concluded that, provided it is clear that cost of fulfillment does not imply inclusion of a risk premium, the term should be retained with its existing definition rather than adopting a new term such as 'cost of settlement'.	*ED 76*
No change to ED 76	BC7.57 The IPSASB also considered whether the definition should retain the assumption that the obligations represented by the liability are fulfilled in the least costly manner. The IPSASB acknowledged the view that there may be circumstances where, for transparent public policy reasons, liabilities may not be fulfilled in the least costly manner. However, the IPSASB took the view that, from an accountability perspective, the assumption should be retained and concluded that the definition of cost of fulfillment should not be modified. It is possible that there may be cases where a reporting entity decides to fulfill an obligation in a manner that is not the least costly. In such circumstances it is important that for accountability purposes there is full disclosure.	*ED 76*
New paragraph	BC7.57A In response to ED 76 it was suggested that the Conceptual Framework should provide guidance on alternative measurement bases where an entity decides to fulfill an obligation in a manner that is not the least costly. The IPSASB reaffirmed the primacy of cost of fulfillment and therefore concluded that such guidance would be both inappropriate as it would appear to endorse a measurement basis that does not meet the objectives of financial reporting.	*Not in ED 76*

No change to ED 76	**Measurement Bases for Liabilities not included in Updated Conceptual Framework**	*ED 76*
Listing of No change to ED 76. Will be confirmed or amended following discussion at June 2020 meeting	BC7.58 The following measurement bases and approaches for liabilities in the 2014 Conceptual Framework have not been included in the updated version: • Market value; • Assumption price; and • Cost of release.	*ED 76*
ED 76	**Market Value**	*ED 76*
No change to ED 76	BC7.59 Market value for liabilities was defined in paragraph 7.80 of the 2014 Conceptual Framework as: *The amount for which a liability could be settled between knowledgeable willing parties in an arm's length transaction*	*ED 76*
Additional sentence added to confirm deletion of market value	BC7.60 In light of the inclusion of fair value the IPSASB concluded that the retention of market value was unnecessary as it would overlap fair value and current operational value and its inclusion would be confusing. Although not discussed in the Conceptual Framework, the IPSASB noted that the market approach is proposed as a measurement technique for both fair value and current operational value in ED 77*, Measurement*. As noted for assets in paragraph BC 7.31 respondents to ED 76 strongly supported the deletion of market value. No major issues were raised, and fair value has therefore been not included in the revised Chapter 7.	*ED 76 with additional material*
No change to ED 76	**Assumption price**	*ED 76*
No current change to ED 76. Paragraphs to be revised following discussion of retention of assumption price at June meeting.	BC7.61 Assumption price was defined in paragraph 7.87 of the 2014 Conceptual Framework as: *The amount which the entity would rationally be willing to accept in exchange for assuming an existing liability.*	*ED 76*

No current change to ED 76. Paragraphs to be revised following discussion of retention of assumption price at June meeting.	BC7.62 Assumption price is an entity-specific measurement basis included in the 2014 Conceptual Framework had not been used in the IPSASB literature at standards level as of 2021. It has some similarities to current cost for liabilities, as defined by the IASB in its *2018 Conceptual Framework*, but refers to a liability of a counterparty, rather than a liability of the reporting entity.	*ED 76*
No current change to ED 76. Paragraphs to be revised following discussion of retention of assumption price at June meeting.	BC7.63 The IPSASB assessed the case for retention of assumption price. Some IPSASB members consider that it is appropriate when the government is taking on liabilities at concessionary rates, for example guarantees to banks to facilitate lending to businesses adversely affected by financial crises, and for measuring reinsurance liabilities. The inclusion of assumption price (along with cost of release discussed below in paragraphs 7.65-7.67) was on the grounds that there may be limited circumstances where it might meet the measurement objective.	*ED 76*
No current change to ED 76. Paragraphs to be revised following discussion of retention of assumption price at June meeting.	BC7.64 The IPSASB concluded that the number of occasions in which public sector entities would accept a monetary amount for assuming a liability are limited, albeit potentially material. In such circumstances, fair value is likely to be a more appropriate measurement basis. Therefore, the IPSASB concluded that there is not a strong case for retention of assumption price.	*ED 76*
No change	**Cost of Release**	*ED 76*

No current change to ED 76. Paragraphs to be revised following discussion of retention of cost of release at June meeting.	BC7.65 Cost of release was defined in paragraph 7.82 of the 2014 Conceptual Framework as the amount of an immediate exit from an obligation–either the amount a creditor will accept in settlement of its claim or a third party would charge to accept the transfer of the liability from the obligor. Cost of release is entity-specific and does not assume an orderly market. At the standards level the measurement requirements and guidance in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, include a grey letter reference to 'transfer(ing) an obligation at the reporting date' (IPSAS 19.45) which supplements the black letter reference to 'the best estimate of the expenditure required to settle the present obligation at the reporting date' in IPSAS 19.44. This reference in IPSAS 19.45 is consistent with cost of release.	*ED 76*
No current change to ED 76. Paragraphs to be revised following discussion of retention of assumption price at June meeting.	BC7.66 The IPSASB noted that the IASB had concluded that it was unnecessary to include cost of release in its *2018 Conceptual Framework*, because it is relatively unusual for entities to obtain release from liabilities, rather than fulfilling them.	*ED 76*
No current change to ED 76. Paragraphs to be revised following discussion of retention of cost of release at June meeting.	BC7.67 Similarly to assumption price, the 2014 Conceptual Framework justified the inclusion of cost of release on the grounds that there may be limited circumstances where it might meet the measurement objective. The IPSASB concluded that standards development since 2014 has not identified sufficient examples of circumstances where cost of release is appropriate to justify retention. The IPSASB therefore decided not to retain cost of release in the updated Conceptual Framework.	*ED 76*
	Current Cost	

No current change to ED 76.	BC7.68 Paragraph BC7.27 discusses current cost as defined by the IASB for assets in its Conceptual Framework. Noting that in the IASB's Conceptual Framework the definition of current cost includes liabilities as well as assets, the IPSASB considered whether to include current cost as a measurement basis for liabilities. Current cost for liabilities is the consideration that would be received for incurring or taking on an equivalent liability at the measurement date. The IPSASB acknowledged that such a measurement basis might provide useful information for managerial purposes, but considered that its practical application for financial reporting is limited. The IPSASB therefore concluded that current cost for liabilities should not be included in the Conceptual Framework.	*ED 76*
No change to ED 76.	**Own Credit Risk** BC7.69 The Conceptual Framework Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements,* sought the views of respondents on the treatment of an entity's own credit risk and changes in value attributable to changes in an entity's own credit risk.	*ED 76*
	BC7.70 The majority of respondents who commented on this issue considered that it is more appropriately dealt with at standards level rather than in the Conceptual Framework. The IPSASB concurred with this view and therefore did not include a discussion of own credit risk in the Conceptual Framework. The IPSASB noted that, where a market-based value is used to measure a liability, it is necessary to consider the treatment of the entity's own credit risk. The IPSASB did not redeliberate this issue in the Limited-scope Update.	*ED 76*