Agenda Item 6: Limited Scope Review of Conceptual Framework

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IPSASB Consultative Advisory Group Meeting
Abu Dhabi, United Arab Emirates
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Background (paras. 1-3)

- Framework approved in September 2014 and issued in October 2014
- No timeline for review
- Review proposed in Strategy and Work Plan Consultation
- Supported by respondents
- Project brief to IPSASB in March 2020
Project Drivers (para. 4)

• IASB Driven
  – Developments in IASB Conceptual Framework following approval of IPSASB Framework
  – IASB revised Framework published in March 2018 with effective date of January 1st, 2020

• IPSASB Driven
  – Issues in applying Framework since late 2014
Project Drivers: Evaluation Criteria (para. 5)

• Criteria for project prioritization have been used where appropriate:
  • Prevalence
  • Consequences
  • Urgency
  • Feasibility
IASB Drivers (paras. 8-10)

- Significantly revised approach to Measurement
  - High level distinction between historical cost and current value
  - Current value measures identified: fair value, value-in-use (assets) and fulfilment value (liabilities) and current cost

- Finalization of element definitions
  - Staff view that no fundamental differences between asset and liability definitions,
  - Need to test assumption
• Acknowledgement of prudence in context of neutrality in QC of faithful representation
  – No substantive impact, but regionally sensitive
• Materiality
  – Amendments at IFRS level as well as Framework
IASB Drivers: Other Issues (paras. 15-18)

Not addressed in IPSASB Framework
- Executory contracts
- Unit of account
- Capital maintenance

Addressed differently in IPSASB Framework
- Hierarchy of Qualitative Characteristics
  - Fundamental and Enhancing
IPSASB Drivers (paras. 20-23)

- No definition of fair value
  - IFRS 13
  - Market value as entry and exit based measure
  - Impact of Financial Instruments and Measurement project
  - CAG emphasis on importance of consistent fair value definition consistent with IASB

- Relationship of market value and fair value (as in IFRS 13)
  - Need for both?
IPSASB Drivers (paras.24-26)

• Other resources and other obligations
  • Controversial aspect of Framework
  • Not elements
  • Not used at standards level

• Non-legally binding obligations
  • Used rather than constructive obligation
CAG Question 1

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

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

- Omitted issues
  - Capital maintenance
  - Unit of account
  - Executory Contracts

- Hierarchy of QCs – fundamental and enhancing
LESS SIGNIFICANT

- Other resources and other obligations (and inappropriate for limited scope project)
- Use of term non-legally binding obligations
CAG Question 2

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