Agenda Item 8: Measurement

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David Watkins, Task Force Chair

IPSASB Meeting
March 10–13, 2020
New York, USA
Agenda Item 8—Measurement

Project management – Stock take

Road map – progress to date and future meeting plans

Board decisions – previous decisions taken and key future issues

Board instructions – satisfied with actions taken

Other issues?
## Session Outline

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<th>Overview of Responses</th>
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<td>Borrowing Costs</td>
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Overview of Responses

<table>
<thead>
<tr>
<th>Responses</th>
<th>PVs</th>
<th>SMCs</th>
<th>Issues Identified</th>
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<tbody>
<tr>
<td>32</td>
<td>10 of 11</td>
<td>2 of 3</td>
<td>0</td>
</tr>
<tr>
<td>Representing over 100 Organizations</td>
<td>PVs had over 75% support (agree / partially agree) (taking into consideration &quot;no comments&quot;)</td>
<td>SMCs had over 75% support (agree / partially agree) (taking into consideration &quot;no comments&quot;)</td>
<td>Issues Identified the IPSAB was not aware of when the CP was approved</td>
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## Session Outline

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Preliminary View 7 – Borrowing Costs (1/3)

PV 7
Borrowing costs should be expensed rather than capitalized.

Theme A
Retain the accounting policy choice in IPSAS 5 to expense or capitalize qualifying borrowing costs.

53%
Agreed or partially agreed with the PV
The IPSASB has considered this issue more than once. Staff recommends the IPSASB close this issue by:

• Developing Basis for Conclusions; and
• Developing Application Guidance to clarify the terms “qualifying asset” and “direct expenditure”.
• Staff compared IPSAS 5 and IAS 21 and concluded that there is no additional material in IAS 21 that would necessitate changes to the core text of IPSAS 5
Decision Required

• Does the IPSASB agree with the recommendation?
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Fair value, fulfillment value, historical cost and replacement cost require additional application guidance.

84% agreed or partially agreed with the PV.

Recommendation:
Revisit the measurement bases identified in the Conceptual Framework as part of the Conceptual Framework Limited Scope Update (Theme B).
Decision Required

• Does the IPSASB agree with the recommendation?
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Preliminary View 2 – Generic Guidance (1/2)

PV 2
Application guidance for the most commonly used measurement bases should be generic in nature.

Recommendation
Continue with the view proposed in the CP.

81%
Agreed or partially agreed with the PV
Decision Required

• Does the IPSASB agree with the recommendation?
Application guidance for **historical cost** should be derived from existing IPSAS.

56% agreed or partially agreed with the PV.

Recommendation:
- Continue with the proposed approach.
- Action respondent recommendations as appropriate (Theme F).
Decision Required

• Does the IPSASB agree with the recommendation?
Application guidance for **fair value** should be aligned with IFRS 13.

**Recommendation**

Continue with the proposed approach.

Action respondent recommendations as appropriate (Theme B and F).

81% Agreed or partially agreed with the PV
Application guidance for **fair value** should be aligned with IFRS 13.

**Recommendation**

Address inconsistencies with the Conceptual Frameworks in conjunction with the Conceptual Framework Limited Scope Update Project (Theme C).

81% Agreed or partially agreed with the PV
Decision Required

• Does the IPSASB agree with the recommendation?
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Preliminary View 5 – Fulfillment Value (1/3)

PV 5
Application guidance for **fulfillment value** should be derived from the Conceptual Framework.

Recommendation
Continue with the proposed approach.
Action respondent recommendations as appropriate (Theme F)

72%
Agreed or partially agreed with the PV
PV 5
Application guidance for **fulfillment value** should be derived from the Conceptual Framework.

Recommendation
Consider the appropriateness of a risk adjustment when measuring at fulfillment value (Theme E).

72% Agreed or partially agreed with the PV
Decision Required

- Does the IPSASB agree with the recommendation?
Preliminary View 6 – Replacement Cost (1/2)

PV 6
Application guidance for replacement cost should be derived from the Conceptual Framework.

Recommendation
Continue with the proposed approach.

68% Agreed or partially agreed with the PV

Action respondent recommendations as appropriate (Theme F).
Decision Required

• Does the IPSASB agree with the recommendation?
Preliminary View 8 – Transaction Costs Definition

**PV 8**

**Transaction costs** are incremental costs directly attributable to the acquisition, issue or disposal of an asset or liability.

**Recommendation**

Continue with the view proposed in the CP.

84% Agreed or partially agreed with the PV
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Decision Required

- Does the IPSASB agree with the recommendation?
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Preliminary View 9 – Transaction Costs Location of Guidance (1/2)

PV 9
Transaction costs should be addressed in IPSAS, *Measurement*.

Recommendation
Continue with the view proposed in the CP.

78%
Agreed or partially agreed with the PV
Decision Required

- Does the IPSASB agree with the recommendation?
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Preliminary View 10 – Transaction Costs [Entry] (1/2)

Transaction costs – entering a transaction

72%
Agreed or partially agreed with the PV

Recommendation
Continue with the view proposed in the CP.
Decision Required

- Does the IPSASB agree with the recommendation?
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Preliminary View 11 – Transaction Costs [Exit] (1/2)

PV 11
Transaction costs – exiting a transaction

Recommendation
Continue with the view proposed in the CP.

69% Agreed or partially agreed with the PV
Decision Required

• Does the IPSASB agree with the recommendation?
Specific Matter for Comment 1 – Definitions (1/2)

SMC 1
Do you agree the list of measurement definitions is exhaustive?

66%
Agreed or partially agreed with the PV

Recommendation
Consider the definitions holistically as part of the development of the ED (Theme H).
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Specific Matter for Comment 1 – Definitions (2/2)

Decision Required

• Does the IPSASB agree with the recommendation?
Do you agree equitable and synergistic value should be considered as an appropriate measurement basis in the public sector?

SMC 2

50% Agreed or partially agreed with the PV

Recommendation

Revisit the measurement bases identified in the Conceptual Framework as part of the Conceptual Framework Limited Scope Update (Theme B).
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Specific Matter for Comment 2 – Other Measurement Bases (2/2)

Decision Required

• Does the IPSASB agree with the recommendation?
Specific Matter for Comment 3 – Flowcharts (1/2)

SMC 3
Do you agree the flowchart provides a helpful starting point when evaluating an appropriate measurement basis?

Recommendation
Consider comments from respondents after applying flow chart to IPSAS (Theme G).

75%
Agreed or partially agreed with the PV
Specific Matter for Comment 3 – Flowcharts (2/2)

Decision Required

• Does the IPSASB agree with the recommendation?
Session Outline

Overview of Responses
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Next Steps

**Q2 Task Force**
- Conceptual Framework Issues
- Fair Value
- Measurement Bases

**Q2 IPSASB**
- Conceptual Framework Issues
- Fair Value
- Measurement Bases

**Q3 Task Force**
- Fulfillment Value
- Flow Charts
- EDs / Consequentials

**Q3 IPSASB**
- Review all materials