



Mr. Andreas Bergmann  
Chairman  
International Public Sector Accounting  
Standards Board

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Ref.: PSC/AKI/TSI/SRO

Dear Mr. Bergmann and Ms. Fox,

**Re: FEE Comments on the IPSASB Exposure Draft on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements**

- (1) FEE (the Federation of European Accountants) is pleased to provide you with its comments on the IPSASB's ("Board") Exposure Draft on Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements (the "ED").
- (2) As highlighted in previous comments, FEE strongly supports the Board's intention to finalise the Conceptual Framework with a high priority, as the development of the existing standards and many proposals for future standards depend on its finalisation. This would also help the Board to streamline its standard setting activity in the future, whether setting new standards on public sector specific issues or updating IFRS converged standards.
- (3) We also support the Board's intention to maintain the alignment of IPSASs with IFRSs on matters which are common to both to private and public sectors. However, as rightly pointed out in the Consultation, the development of the *Conceptual Framework* should not be an IFRS convergence project and therefore not an interpretation of the application of the IASB Conceptual Framework to the public sector.
- (4) We agree with most of the elements proposed in the ED, however, we do not believe that the two proposed measurement models, the fair value and deprival model, or any other models should be placed in the Conceptual Framework but would be better addressed on a case by case basis at standard level.

- (5) In addition, we do not think that it would be appropriate for the Conceptual Framework to suggest supplementary disclosures regarding operating capacity and financial capacity where the historical cost measurement basis is used. The Conceptual Framework should remain principle based and therefore avoid providing detailed guidance as how to apply measurement bases. Any supplementary disclosures that are considered necessary would be better addressed at standards level.

Further FEE responses to the detailed questions of the ED are included in the Appendix to this letter.

For further information on this letter, please contact Tibor Siska, project manager, at the FEE Secretariat on +32 2 285 40 74 or via e-mail at [tibor.siska@fee.be](mailto:tibor.siska@fee.be).

Yours sincerely,

A blue ink signature of André Killesse, consisting of a series of loops and a long horizontal stroke at the bottom.

André Killesse  
President

A blue ink signature of Olivier Boutellis-Taft, featuring a large, stylized 'B' and a long horizontal stroke at the bottom.

Olivier Boutellis-Taft  
Chief Executive

**Specific Matter for Comment 1**

Do you agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting? If you think that there should be a measurement objective please indicate what this measurement objective should be and give your reasons.

- (6) We agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting as described in phase 1 of the Conceptual Framework.
- (7) In order to assess the extent to which the measurement basis meets the objective of financial reporting, in our view the ED rightly identifies the following measurement factors:
- Financial capacity,
  - Operational capacity, and
  - Cost of service provided.
- (8) We also agree that there should be no single measurement basis (or combination of bases) prescribed by the Conceptual Framework but it should only identify the factors that are relevant in selecting a measurement basis for particular assets and liabilities in specific circumstances. These factors, in our view, provide a useful basis for preparers to determine the appropriate measurement bases to meet the information needs of the users where there are no requirements in IPSASs as well as for the Board to make consistent decisions in developing standards.

**Specific Matter for Comment 2**

Do you agree with the current value measurement bases for assets that have been identified in Section 3? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?

- (9) Generally, we agree with the proposed four current value measurement bases, such as market value, replacement cost, net selling price and value in use.
- (10) We note that for the historical cost basis, the ED suggests including disclosure of replacement cost or value in use for the assessment of the operation capacity, and disclosure of net selling prices for the assessment of the financial capacity in paragraphs of 2.6 and 2.7 respectively.
- (11) We do not think that it would be appropriate for the Conceptual Framework to suggest supplementary disclosures regarding operating capacity and financial capacity where the historical cost measurement basis is used. We believe that the Conceptual Framework should remain principle based and therefore avoid providing detailed guidance as how to apply measurement bases. In our view, the necessity of any supplementary disclosures should be assessed and prescribed if necessary on a case by case basis at standard level.

**Specific Matters for Comment 3**

Do you agree with the approaches proposed in Section 4 for application of:

(a) The fair value measurement model to estimate the price at which a transaction to sell an asset would take place in an active, open and orderly market at the measurement date under current market conditions. If not, please give your reasons; and

(b) The deprival value model to select or confirm the use of a current measurement basis for operational assets. If not please give your reasons.

- (12) FEE believes that the inclusion of a measurement objective would enhance the conceptual framework, and that this would permit consideration of measurement models to be undertaken at standards level, where this more detailed consideration is more appropriate.
- (13) Therefore, we believe that the two measurement models (fair value and deprival models) included in the ED, which is to help select the most appropriate measurement basis, should not be placed in the Conceptual Framework but would be better addressed on a case by case basis at standard level.
- (14) The objectives of financial reporting are to provide information that is useful to users for accountability and decision making purposes, and a measurement objective would need to reflect this.
- (15) The measurement basis chosen for any class of asset or liability should be the basis that, in the judgement of the reporting entity, and having regard to the cost of measurement, provides the most useful information for accountability and decision making purposes.
- (16) If, in the judgement of the entity, no single measurement basis can provide useful information for accountability and decision making purposes, the entity should measure that class of assets or liabilities using the measurement basis that provides the most useful information for the purpose that the entity considers will be most important to the users.

**Specific Matter for Comment 4**

Do you agree with the proposed measurement bases for liabilities in Section 5? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework?

- (17) We agree with the historical and four different current value measurement bases proposed for liabilities, namely market value, cost of release, assumption price and cost of fulfilment.