

The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 CANADA

Dear Stephanie,

**Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements**

The Accounting and Auditing Standards Desk of the Abu Dhabi Accountability Authority (ADAA) is pleased to provide a response to the International Public Sector Accounting Standards Board (IPSASB) request for comments on its Exposure Draft (ED). We are wholly supportive of the IPSASB's objectives to enhance the quality and consistency of financial reporting of Public Sector Entities (PSEs) and improve the transparency and accountability of government reporting.

**General Comment**

We consider the most significant issue that Government and PSEs face is legacy, with the aim of improving legacy over the long-term.

Our comments on the specific questions asked by the IPSASB are as follows:

**Specific Matters 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.**

We agree with the alternative view of Mr. Ken Warren and we are very comfortable with his suggestion. We consider that there should be a measurement objective for a number of reasons:

- Government accounting concerns legacy and because government accounting is intergenerational there needs to be a process that future generations will agree was appropriately applied in deciding how that legacy is measured. A measurement objective will help with that agreement.
- Typically government activities involve consumption of assets; consumption of resources and consumption of taxes. Reporting tends to focus on how much has been used and what has been delivered rather than how much is left, what has been created and what can be delivered.
- Historically many of the alternative measurement bases have created their own problems. Historic cost tends to undervalue the balance sheet and overstate profits. Fair value overcomes much of this problem but then measuring fair value when there is a non-active market becomes subjective and valuations volatile. Depreciated replacement cost requires a current value.

Ultimately of course for costs and measurement quality reasons one of the current accounting measures is always going to need to be applied. We consider a measurement objective will help inform the decision rather than it possibly being perceived as there being a choice.

**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 basis should not be included in the framework?**

We agree that the measurement bases and models identified are all sensible bases and models to use in application. However because we believe that there should be a measurement objective that informs how legacy is measured we do not believe that particular measurement bases and models should be a part of the framework. Rather we consider that they should sit as examples in an Appendix to the framework.

**Specific matter for Comment 3**

**Do you agree with the approaches proposed in Section 4 for the 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 model to select or confirm the use of a current measurement basis for operational assets. If not please give your reasons.**

Notwithstanding our responses in comments 1 and 2 we agree the approaches are appropriate.

**Specific matter from 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.**

Notwithstanding our responses in comments 1 and 2 we agree the approaches are appropriate. We tend to favour "Cost of Release" as the default measurement basis except, when as noted in the ED it is not likely that release in the envisaged manner is an option open to the entity.

Yours faithfully

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