

25 September 2019

The International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto,
Canada

Email: commentletters@ifrs.org

Dear Sir/Madam

ICAZ SUBMISSION ON Consultation Paper, Measurement

In response to your request for comments **Consultation Paper, Measurement**, attached is the comment letter prepared by the Institute of Chartered Accountants of Zimbabwe. The comment letter is a result of deliberations of the Accounting Procedures Committee (APC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists, and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Bothwell Nyajeka
Committee
Macdonald Chitauro

Chairperson of the ICAZ Public Sector
Technical Manager

Cc: Gloria Zvaravanhu (ICAZ C.E.O)

ICAZ COMMENT LETTER

<p><i>Preliminary View 1—Chapter 2 (following paragraph 2.6)</i></p> <p><i>The IPSASB’s Preliminary View is that the fair value, fulfilment value, historical cost and replacement cost measurement bases require application guidance.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, stating clearly which measurement bases should be excluded from, or added to, the list, and why.</i></p>	<p>Agreed. The fair value, fulfilment value, historical cost and replacement cost measurement bases require application guidance. This important because their varying definitions for these terms in IFRS that may end up confusing preparers of financial information. The application guidance will assist all preparers to apply the measurement basis in a consistent basis improving the quality of financial information and comparability of the information.</p>
<p><i>Preliminary View 2—Chapter 2 (following paragraph 2.6)</i></p> <p><i>The IPSASB’s Preliminary View is that the application guidance for the most commonly used measurement bases should be generic in nature in order to be applied across the IPSAS suite of standards. Transaction specific measurement guidance will be included in the individual standards providing accounting requirements and guidance for assets and liabilities.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, and state what guidance should be included, and why.</i></p>	<p>Agreed. Application guidance for the most commonly used measurement bases should be generic in nature in order to be applied across the IPSAS suite of standards. Transaction specific measurement guidance will be included in the individual standards providing accounting requirements and guidance for assets and liabilities. See comments on 2 above. Making the application guidance generic will also alignment of all standards avoiding conflicting positions that may be subject to varying interpretations and applications.</p>
<p><i>Preliminary View 3—Chapter 2 (following paragraph 2.10)</i></p> <p><i>The IPSASB’s Preliminary View is that guidance on historical cost should be derived from existing text in IPSAS. The IPSASB has incorporated all existing text and considers Appendix C: Historical Cost–Application Guidance for Assets, to be complete.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i></p>	<p>Agreed. Guidance on historical cost should be derived from existing text in IPSAS. This will make guidance on historical cost measurement consistent with existing standards. Review of Appendix C clearly indicates that historical cost as derived from existing IPSAS is sufficient. This also brings consistence in definition of historical cost as a measurement basis.</p>

<p><i>If not, please provide your reasons, stating clearly what you consider needs to be changed.</i></p>	
<p>Preliminary View 4—Chapter 2 (following paragraph 2.16)</p> <p><i>The IPSASB’s Preliminary View is that fair value guidance should be aligned with IFRS 13, taking into account public sector financial reporting needs and the special characteristics of the public sector. The IPSASB considers Appendix A: Fair Value–Application Guidance, to be complete.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, stating clearly what you consider needs to be changed.</i></p>	<p>Agreed. Fair value guidance should be aligned with IFRS 13, taking into account public sector financial reporting needs and the special characteristics of the public sector. The approach proposed by the IPSASB has adopted of renaming market value, or redefining market value or removing market value as a measurement basis are material. My view would be redefining the term to align with other standards will remove the confusion on the conflicting definition of market value. Market value as a measurement basis is important both in private and public sector.</p>
<p>Preliminary View 5—Chapter 2 (following paragraph 2.28)</p> <p><i>The IPSASB’s Preliminary View is that fulfilment value guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. The IPSASB considers Appendix B: Fulfilment Value–Application Guidance, to be complete.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, stating clearly what you consider needs to be changed.</i></p>	<p>Agreed. Fulfilment value guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. This will eliminate any potential conflicts that may arise should each IPSAS have its own guidance. It universalises the approach.</p>
<p>Preliminary View 6—Chapter 2 (following paragraph 2.28)</p> <p><i>The IPSASB’s Preliminary View is that replacement cost guidance should be based on the concepts developed in the Conceptual Framework, expanded for application in IPSAS. The IPSASB considers Appendix D: Replacement Cost–Application Guidance, to be complete.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, stating clearly what you consider needs to be changed.</i></p>	<p>Agreed. Replacement cost guidance should be based on the concepts developed in the Conceptual Framework, expanded based on its application in IPSAS. Using the conceptual framework as the guidance basis is the best approach as it universalises the approach.</p>
<p>Preliminary View 7—Chapter 3 (following paragraph 3.28)</p>	<p>Agreed. All borrowing costs should be expensed rather than capitalized, with no exception for borrowing costs that are</p>

<p><i>The IPSASB’s Preliminary View is that all borrowing costs should be expensed rather than capitalized, with no exception for borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please state which option you support and provide your reasons for supporting that option.</i></p>	<p>directly attributable to the acquisition, construction, or production of a qualifying asset. This approach is aggregable and justifiable on the basis that Governments and central governments don’t always specifically borrow for specific assets. Mores, some assets are financed through other government revenue mechanisms like taxes and levies.</p>
<p><i>Preliminary View 8—Chapter 3 (following paragraph 3.36)</i></p> <p><i>The IPSASB’s Preliminary View is that transaction costs in the public sector should be defined as follows: Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an asset or liability and would not have been incurred if the entity had not acquired, issued or disposed of the asset or liability.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons, and provide an alternative definition for the IPSASB to consider.</i></p>	
<p><i>Preliminary View 9—Chapter 3 (following paragraph 3.42)</i></p> <p><i>The IPSASB’s Preliminary View is that transaction costs should be addressed in the IPSAS, Measurement, standard for all IPSAS.</i></p> <p><i>Do you agree with the IPSASB’s Preliminary View?</i> <i>If not, please provide your reasons and state how you would address the treatment of transaction costs in IPSAS, together with your reasons for supporting that treatment.</i></p>	<p>Agreed, transaction costs should be addressed in the IPSAS, Measurement, standard for all IPSAS. This will standardise the treatment of transaction costs and eliminate any potential variances and deviation from standard treatment given differences that may arise in different IPSASs.</p>
<p><i>Preliminary View 10—Chapter 3 (following paragraph 3.54)</i></p> <p><i>The IPSASB’s Preliminary View is that transaction costs incurred when entering a transaction should be:</i> <i>- Excluded in the valuation of liabilities measured at fulfillment value;</i></p>	<p>Agreed. Transaction costs incurred when entering a transaction should be: - Excluded in the valuation of liabilities measured at fulfilment value; - Excluded from the valuation of assets and liabilities measured at fair value; and</p>

<p><i>- Excluded from the valuation of assets and liabilities measured at fair value; and</i> <i>- Included in the valuation of assets measured at historical cost and replacement cost.</i></p> <p><i>Do you agree with the IPSASB's Preliminary View?</i> <i>If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment.</i></p>	<p>- It should be rightly included in the valuation of assets measured at historical cost and replacement cost.</p>
<p><i>Preliminary View 11—Chapter 3 (following paragraph 3.54)</i></p> <p><i>The IPSASB's Preliminary View is that transaction costs incurred when exiting a transaction should be:</i></p> <ul style="list-style-type: none"> <i>- Included in the valuation of liabilities measured at fulfilment value;</i> <i>- Excluded from the valuation of assets and liabilities measured at fair value; and</i> <i>- Excluded in the valuation of assets measured at historical cost and replacement cost.</i> <p><i>Do you agree with the IPSASB's Preliminary View?</i> <i>If not, please provide your reasons and state how you would treat transaction costs in the valuation of assets and liabilities, giving your rationale for your proposed treatment.</i></p>	<p>Agreed.</p> <p>Transaction costs incurred when exiting a transaction should be:</p> <ul style="list-style-type: none"> - Included in the valuation of liabilities measured at fulfilment value; - Excluded from the valuation of assets and liabilities measured at fair value; and - Excluded in the valuation of assets measured at historical cost and replacement cost. <p>This is appropriate as per the definition of transaction costs.</p>
<p><i>Specific Matter for Comment 1—Chapter 2 (following paragraph 2.29)</i></p> <p><i>Definitions relating to measurement have been consolidated in the core text of the Illustrative ED.</i></p> <p><i>Do you agree that the list of definitions is exhaustive?</i></p> <p><i>If not, please provide a listing of any other definitions that you consider should be included in the list and the reasons for your proposals.</i></p>	<p>In my view the definitions are exhaustive. The definitions cover all issues that pertain to the Zimbabwean environment.</p>
<p><i>Specific Matter for Comment 2—Chapter 3 (following paragraph 3.5)</i></p> <p><i>Guidance in International Valuation Standards (IVS) and Government Financial Statistics (GFS) has been considered as part of the Measurement project with the aim of</i></p>	<p>The conclusion on similarities apparent similarities between IPSAS, IVS and GFS makes sense given the common binding principles across the concepts. The common approach especially on expensing borrowing costs is common across the standards.</p>

<p><i>reducing differences where possible; apparent similarities between IPSAS, IVS and GFS have been noted. Do you have any views on whether the IPSASB's conclusions on the apparent similarities are correct?</i></p> <p><i>Do you agree that, in developing an Exposure Draft, the IPSASB should consider whether the concepts of Equitable Value and Synergistic Value should be reviewed for relevance to measuring public sector assets (see Addendum B)?</i></p>	<p>Consideration of the concepts of Equitable Value and Synergistic Value is appropriate. Whereas 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 and equitable value being 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. These 2 must be appropriately considered as they complement each other.</p>
<p><i>Specific Matter for Comment 3—Chapter 4 (following paragraph 4.21)</i></p> <p><i>Do you agree that the measurement flow charts (Diagrams 4.1 and 4.2) provide a helpful starting point for the IPSASB to review measurement requirements in existing IPSAS, and to develop new IPSAS, acknowledging that other matters need to be considered, including:</i></p> <ul style="list-style-type: none"> <i>- The Conceptual Framework Measurement Objective;</i> <i>- Reducing unnecessary differences with GFS;</i> <i>- Reducing unnecessary differences with IFRS Standards; and</i> <i>- Improving consistency across IPSAS.</i> <p><i>If you do not agree, should the IPSASB consider other factors when reviewing measurement requirements in existing IPSAS and developing new IPSAS? If so, what other factors? Please provide your reasons.</i></p>	<p>Agreed</p> <p>Other matters that need to be considered, include:</p> <ul style="list-style-type: none"> - The Conceptual Framework Measurement Objective; - Reducing unnecessary differences with GFS; - Reducing unnecessary differences with IFRS Standards; and - Improving consistency across IPSAS. <p>This make application of standards easy and will also make comparability of financial statements that come out of these standards meaningful.</p>