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25 September 2019

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

Email: <u>commentletters@ifrs.org</u>

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 NyajekaChairperson of the ICAZ Public SectorCommitteeTechnical Manager

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

## ICAZ COMMENT LETTER

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

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

	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1
The IPSASB's Preliminary View is that all	directly attributable to the acquisition,
borrowing costs should be expensed rather	construction, or production of a
than capitalized, with no exception for	qualifying asset. This approach is
borrowing costs that are directly attributable to	aggregable and justifiable on the basis
the acquisition, construction, or production of	that Governments and central
a qualifying asset.	governments don't always specifically
	borrow for specific assets. Mores, some
Do you agree with the IPSASB's Preliminary	assets are financed through other
View?	government revenue mechanisms like
If not, please state which option you support	taxes and levies.
and provide your reasons for supporting that	
option.	
Preliminary View 8—Chapter 3 (following	
paragraph 3.36)	
purugruph 5.50)	
The IDCACP's Ducting the stat	
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.	
Do you agree with the IPSASB's Preliminary	
View?	
If not, please provide your reasons, and provide	
an alternative definition for the IPSASB to	
consider.	
Preliminary View 9—Chapter 3 (following	Agreed, transaction costs should be
paragraph 3.42)	addressed in the IPSAS, Measurement,
purugruph 5.42)	standard for all IPSAS. This will
The IDCACP's Proliminant View is that	standardise the treatment of transaction
The IPSASB's Preliminary View is that	
transaction costs should be addressed in the	costs and eliminate any potential
IPSAS, Measurement, standard for all IPSAS.	variances and deviation from standard
	treatment given differences that may
Do you agree with the IPSASB's Preliminary	arise in different IPSASs.
View?	
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.	
Preliminary View 10—Chapter 3 (following	Agreed.
paragraph 3.54)	Transaction costs incurred when entering
	a transaction should be:
The IPSASB's Preliminary View is that	- Excluded in the valuation of liabilities
transaction costs incurred when entering a	measured at fulfilment value;
transaction should be:	- Excluded from the valuation of assets
- Excluded in the valuation of liabilities	and liabilities measured at fair value; and
•	and natinities measured at fair value, allu
measured at fulfillment value;	

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- Excluded from the valuation of assets and	- It should be rightly included in the
liabilities measured at fair value; and	valuation of assets measured at historical
- Included in the valuation of assets measured	cost and replacement cost.
at historical cost and replacement cost.	
Do you agree with the IPSASB's Preliminary	
View?	
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.	
Preliminary View 11—Chapter 3 (following	Agreed.
paragraph 3.54)	Transaction costs incurred when exiting
	a transaction should be:
The IDSASP's Proliminant View is that	- Included in the valuation of liabilities
The IPSASB's Preliminary View is that transaction costs incurred when exiting a	
0	measured at fulfilment value;
transaction should be:	- Excluded from the valuation of assets
- Included in the valuation of liabilities	and liabilities measured at fair value; and
measured at fulfillment value;	- Excluded in the valuation of assets measured at historical cost and
- Excluded from the valuation of assets and	
liabilities measured at fair value; and	replacement cost.
- Excluded in the valuation of assets measured	This is appropriate as per the definition
at historical cost and replacement cost.	of transaction costs.
Do you agree with the IPSASB's Preliminary	
View?	
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.	
Specific Matter for Comment 1—Chapter 2	In my view the definitions are
(following paragraph 2.29)	exhaustive. The definitions cover all
(Jonowing paragraph 2.2))	issues that pertain to the Zimbabwean
Definitions relating to measurement have been	environment.
consolidated in the core text of the Illustrative	
ED.	
Do you agree that the list of definitions is	
exhaustive?	
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.	
Specific Matter for Comment 2—Chapter 3	The conclusion on similarities apparent
(following paragraph 3.5)	similarities between IPSAS, IVS and
Verreit and har advarte ere)	GFS makes sense given the common
Guidance in International Valuation	binding principles across the concepts.
Standards (IVS) and Government Financial	The common approach especially on
Statistics (GFS) has been considered as part of	expensing borrowing costs is common
the Measurement project with the aim of	across the standards.
ine meusurement project with the alm of	across uit stanuarus.

	Consideration of the first first
reducing differences where possible; apparent	Consideration of the concepts of
similarities between IPSAS, IVS and GFS have	Equitable Value and Synergistic Value is
been noted. Do you have any views on whether	appropriate. Whereas synergistic value
the IPSASB's conclusions on the apparent	as the result of a combination of two or
similarities are correct?	more assets or interests where the
Do you agree that, in developing an Exposure	combined value is more than the sum of
Draft, the IPSASB should consider whether	the separate values and equitable value
the concepts of Equitable Value and	being the estimated price for the transfer
Synergistic Value should be reviewed for	of an asset or liability between identified
relevance to measuring public sector assets	knowledgeable and willing parties that
(see Addendum B)?	reflects the respective interests of those
	parties. These 2 must be appropriately
	considered as they complement each
	other.
Specific Matter for Comment 3—Chapter 4	Agreed
(following paragraph 4.21)	Other matters that need to be considered,
	include:
Do you agree that the measurement flow charts	- The Conceptual Framework
(Diagrams 4.1 and 4.2) provide a helpful	Measurement Objective;
starting point for the IPSASB to review	- Reducing unnecessary differences with
measurement requirements in existing IPSAS,	GFS;
and to develop new IPSAS, acknowledging that	- Reducing unnecessary differences with
other matters need to be considered, including:	IFRS Standards; and
- The Conceptual Framework Measurement	- Improving consistency across IPSAS.
Objective;	This make application of standards easy
- Reducing unnecessary differences with GFS;	and will also make comparability of
- Reducing unnecessary differences with IFRS	financial statements that come out of
Standards; and	these standards meaningful.
- Improving consistency across IPSAS.	incse standards meaningrui.
- Improving consistency across II SAS.	
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.	