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April 29, 2011

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Consultative Paper on Measurement of Assets and Liabilities in Financial Statements. We are pleased to see the IPSASB move forward in developing the conceptual framework.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM welcomes a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this exposure draft is one from an international perspective.
3. The following responses are provided for each specified comment:

Comment 1:

Should the role of the Framework be to identify factors that are relevant in selecting a measurement basis for particular assets and liabilities in specific circumstances, rather than specify a single measurement basis or combination of bases?

Response— Identification of factors in the Framework seems to be appropriate except it does not take into consideration the draft conceptual framework of the Public Sector Debt Statistics. Although this draft guide on Public Sector Debt Statistics includes a chapter on Work with Other International Agencies, it makes no reference (that we could find) to IPSAS or the accounting principles promulgated by IPSAS. Also, in paragraph 1.2, it would be helpful to the reader if they understood more about the GFSM 2001 as follows "The GFSM 2001 prescribes a statistical reporting system issued by IMF in 2001 to implement the 1993 System of National Accounts issued by the United Nations. The information presented in the statistical reporting system is generally extracted from the accounting system and modified as necessary to be in compliance with GFSM 2001."

Comment 2:

If, in your view the Framework should specify a measurement basis or combination of bases (or approach in the case of deprival value), which should that be? *Single Measurement Bases:* (a) Historical cost, (b) Market value, or (c) Replacement cost. *Combinations of Bases/Approach:* (d) Deprival value, (e) Historical cost and market value, (f) Replacement cost and market value, or (g) Historical cost, replacement cost, and market value. *Others:* (h) Another measurement basis or combination of bases/approach. Please explain why you support a particular measurement basis or combination of measurement bases/approach and your reasons for rejecting alternatives.

Response—The “deprival value” is conceptually the most appropriate measure of value to an entity. However, its application to assets which deliver services rather than economic flows involves assumptions about the value of such services. The approach becomes too subjective and susceptible to manipulation to be useable. We favor measures that are objectively verifiable as long as the limitations of such measures are clearly stated. Hence we support historical cost, replacement cost, and market value as long as these values are verifiable.

Comment 3:

The Consultation Paper discusses the following measurement bases: historical cost, market value, and replacement cost. It also discusses the deprival value concept which does not describe a single measurement basis, but rather a means by which a basis may be selected that is relevant to the circumstances. Value in use and net selling price are discussed in the context of the deprival value model. In your view, is this discussion complete, balanced and fair? If not, please indicate what in your view is missing or in what respects you consider the discussion does not draw out the strengths and weaknesses of the various bases (or approach in the case of deprival value).

Response—We are comfortable with the information presented.

Comment 4:

In your view, should: (a) The effect of an entity’s own credit risk be reflected in the measurement of liabilities at initial recognition; and (b) The effect of changes in own credit risk be reflected when liabilities are subsequently remeasured?

Response—We would support including the entity’s own credit risk at initial recognition as well as subsequent revaluation in order to be consistently applied. Gains or losses on the revaluation of liabilities should be reported separately from operating flows, e.g. as movements on reserves.

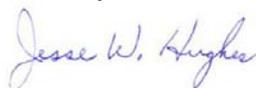
Comment 5:

In your view, where assets are not restricted in use and therefore may be sold for an alternative use, should the measurement reported in the statement of financial position reflect: (a) Only the service potential relating to the existing use; or (b) Include the incremental value relating to its possible sale for an alternative use?

Response—We think it should only relate to the service potential for existing use. Otherwise, it is too speculative and subject to manipulation.

4. We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. No member objected to its issuance. If you have questions concerning the letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.851.0525.

Sincerely,



ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair
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Michael Parry
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Cc: Linda Fealing
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