



Government of Newfoundland and Labrador
Department of Finance
Office of the Comptroller General

June 15, 2011

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

Dear Ms. Fox:

Re: IPSASB Consultation Paper (CP)-Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements (Phase III)

I offer the following comments to the Board on the Conceptual Framework Consultation Paper-*Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements* on behalf of the Provincial Government of Newfoundland and Labrador.

General Comments

It is our position that IPSASB's conceptual framework should reflect a single measurement basis and that basis should be historical cost. The proposals appear to suggest that the IPSASB has a preference toward identifying factors that should be considered in choosing a measurement basis for particular elements in specific circumstances, rather than identifying a single measurement basis. However, it is our view that financial statements that are prepared primarily using the historical cost basis of measurement more appropriately reflects the public sector. In this regard, while it is considered appropriate that a market value could be used in limited circumstances, it should reflect the essence of the Public Sector Accounting (PSA) Standards which indicates that "transactions and events are recognized in the financial statements at the amount of cash or cash equivalents paid or received or the fair value ascribed to them when they took place". Therefore, the measure of fair value or market value is in relation to determining an initial cost not a revaluing perspective.

A single measurement base that primarily reflects historical cost is more consistent with the nature of the environment in which Canadian governments and public sector entities operate. It is more easily understood by the user, it is more objective and easily verifiable and provides transparency and accountability of government reporting as it reflects cost of services. In fact, the relevance of market values for Canadian governments is questionable. Where assets are generally held for long periods of time (little speculative investing) the short term changes in value that are reported under this a market basis are not relevant to the entity's financial position or performance. As well, in order for a market value basis of measurement to be useful to the user and achieve the objectives of financial reporting, there is a requirement that a deep and liquid market should exist. From the perspective of governments, there are not always readily available markets, especially in relation to highly specialized assets. As market prices may not be available, market values would have to be estimated which reduces comparability, verifiability and understandability. For reasons provided, replacement cost and the deprival value model, which are based on current cost measurement, are not supported.

Further, there is no justification to report an amount in the statement of financial position that would include incremental value relating to an asset's possible sale for an alternative use. This does not provide information that is useful in the perspective of Canadian governments. Assets are generally held to provide services to the public and such decisions are not always made with a profit maximizing or a return perspective. In any regard, the financial statements should be presented to reflect the intent and purpose of management and in a manner that can be understood and relevant to the primary user.

Thank you for the opportunity to provide my comments on this issue. If you require further information, please contact myself or Carmalea Gillingham, Accounting Research Specialist, at (709) 729-4049.

Yours truly,



RONALD A. WILLIAMS, CA
Comptroller General of Finance

cc: Terry Paddon, Deputy Minister of Finance