

(NBAA)



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**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS**  
**TANZANIA**

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**Our Ref: CCD.562/573/01**

**28<sup>th</sup> September, 2019**

Chief Executive Officer,  
International Federation of Accountants,  
International Public Sector Accounting Standard Board,  
529 5th Avenue  
New York, New York 10017.

Dear Sir/Madam

**RE: COMMENTS ON THE CONSULTATION PAPER ON MEASUREMENT**

Refer to the heading above.

NBAA as the PAO responsible for the professional training, development and regulation of the accountancy profession in Tanzania and as the member board of the International Federation of Accountants welcomes the opportunity to provide you with our comments on the Consultation Paper about measurement.

In principle, we are supportive of all the requirements in the Consultation Paper, However, after going through it we came up with the following critical insights which we think can add value and consequently ensure wider coverage with respect to issues related to measurement in the public sector.

**Preliminary View 1—Chapter 2 (following paragraph 2.6)**

The IPSASB's Preliminary View is that the fair value, fulfillment value, historical cost and replacement cost measurement bases require application guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly which measurement bases should be excluded from, or added to, the list, and why.

*We do agree with the IPSASB's preliminary view: Nevertheless it is very rare to find a public sector institution liquidated and bankrupt but we recommend a realization basis to be included it should be highly stressed that the basis should be used when and only when a public sector institution is totally and completely liquidated.*

**Preliminary View 2—Chapter 2 (following paragraph 2.6)**

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.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, and state what guidance should be included, and why.

*We do agree with the IPSASB's preliminary view: because this will help eliminate contradictions and inconsistencies of assets and liabilities' measurement models that are found in a number of standards.*

**Preliminary View 3—Chapter 2 (following paragraph 2.10) 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.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

*We do agree with the IPSASB's preliminary view: this help the availability of a guidance on historical cost in a one centered guideline instead of being scattered in various standards.*

**Preliminary View 4—Chapter 2 (following paragraph 2.16)**

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.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

*We do agree with the IPSASB's preliminary view: because it directly corresponds to the intention of the Board but it should be well customized to public sector atmosphere.*

**Preliminary View 5—Chapter 2 (following paragraph 2.28)**

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.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons, stating clearly what you consider needs to be changed.

*We do agree with the IPSASB's preliminary view.*

**Preliminary View 6—Chapter 2 (following paragraph 2.28)**

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.

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 paragraph 3.28)**

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.

Do you agree with the IPSASB's Preliminary View?

If not, please state which option you support and provide your reasons for supporting that option.

*We do agree with the IPSASB's preliminary view: because borrowing cost mislead users that a qualifying asset is having a greater service potential by the amount of finance cost as a result of borrowing. This distort faithful representation of entity's financial statements.*

**Preliminary View 8—Chapter 3 (following paragraph 3.36)**

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.

*We do agree with the IPSASB's preliminary view of the definition of transaction costs.*

**Preliminary View 9—Chapter 3 (following paragraph 3.42)**

The IPSASB's Preliminary View is that transaction costs should be addressed in the IPSAS, *Measurement*, standard for all IPSAS.

Do you agree with the IPSASB's Preliminary 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.

*We do agree with the IPSASB's preliminary view: because transaction costs is determined with the purpose of ascertaining the cost of an assets, therefore it should be addressed within the same standard on measurement.*

**Preliminary View 10—Chapter 3 (following paragraph 3.54)**

The IPSASB's Preliminary View is that transaction costs incurred when entering a transaction should be:

- Excluded in the valuation of liabilities measured at fulfillment value;
- Excluded from the valuation of assets and liabilities measured at fair value; and
- Included in the valuation of assets measured 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.

*We do agree with the IPSASB's preliminary view:*

**Preliminary View 11—Chapter 3 (following paragraph 3.54)**

The IPSASB's Preliminary View is that transaction costs incurred when exiting a transaction should be:

- Included in the valuation of liabilities measured at fulfillment 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.

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.

*We do agree with the IPSASB's preliminary view:*

**Specific Matter for Comment 1—Chapter 2 (following paragraph 2.29)**

Definitions relating to measurement have been 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.

*We do agree with the definitions provided, in addition the list should include a definition of the concept of best of use of an asset.*

**Specific Matter for Comment 2—Chapter 3 (following paragraph 3.5)**

Guidance in International Valuation Standards (IVS) and Government Financial Statistics (GFS) has been considered as part of the Measurement project with the aim of 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?

*We do agree with the IPSASB's preliminary view:*

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)?

*We do agree with the IPSASB's preliminary view:*

**Specific Matter for Comment 3—Chapter 4 (following paragraph 4.21)**

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:

- The Conceptual Framework Measurement Objective;
- Reducing unnecessary differences with GFS;
- Reducing unnecessary differences with IFRS Standards; and
- Improving consistency across IPSAS.

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.

***We do agree with the IPSASB's preliminary view:***

If you require any clarification on our comments, please contact the undersigned.

Thank you in advance for your cooperation.

Yours sincerely,



CPA Angyelile V. Tende  
**For: EXECUTIVE DIRECTOR**



Member of International Federation of Accountants (IFAC) & Pan African Federation of Accountants (PAFA)



*All communication to be addressed to the Executive Director NBAA*

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