



October 4, 2019

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John Stanford
Technical Director
International Public Sector Accounting Standards Board
277 Wellington St. West
Toronto, ON M5V 3H2

Dear John:

RE: Measurement Consultation Paper

Thank you for the opportunity to provide comments on the consultation paper titled, "Measurement". The views expressed in this letter reflect the views of the Government of the Province of British Columbia, including central agencies, ministries and entities consolidated into the British Columbia Summary Financial Statements. The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards. We have an interest in the development of IPSASB's guidance as it may influence future PSAB standards.

We are encouraged by the IPSASB's objectives for this project. The identification and definition of the critical measurement bases, along with appropriate guidance, will help to improve the quality of application within and among entities that use the standards. We continue to be concerned about the use of private sector standards as the basis for public sector accounting standards as these two have different financial reporting objectives.

While concepts from the business world certainly can and do have applicability to the public sector, our preference is for accounting concepts and standards that are rooted in meeting the financial reporting objectives for governments. For example, government reporting typically emphasizes the reporting of revenue and expense against budget and this discussion is absent in the consultation paper.

In IPSASB's approach to measurement, there is an interpretational risk raised because the standards do not have a definition of exchange and non-exchange transactions. This is an

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issue when accounting for transactions like contributed assets in the public sector. Until these significant public sector transactions are defined, there will be ambiguity that could create conflict between these measurement principles and issued standards.

Responses to specific questions posed in the consultation paper are attached. Should IPSAB have any comments or questions, please contact me at: 250-387-6692 or via e-mail: Carl.Fischer@gov.bc.ca, or Diane Lianga, Executive Director, Financial Reporting and Advisory Services Branch, at 778-698-5428 or by e-mail: Diane.Lianga@gov.bc.ca.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Fischer', written in a cursive style.

Carl Fischer, CPA, CGA
Comptroller General
Province of British Columbia

Encl.

cc: Carol Bellringer, FCPA, FCA
Auditor General
Province of British Columbia

Diane Lianga, Executive Director
Financial Reporting and Advisory Services
Office of the Comptroller General

Preliminary View 1—Chapter 2

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 agree that these measurement bases cover major types of transactions for initial and subsequent measurement. It would be helpful to the reader if in addition to the above, measurement bases such as transaction price as it relates to the satisfaction of performance obligations and carrying value as it relates to inter-entity transactions and restructuring transactions were also discussed.

Preliminary View 2—Chapter 2

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 agree that there should be application guidance for the most commonly used measurement bases. It would be helpful to the reader if all the bases of measurement, and how they relate to the fair value, fulfillment value, historical cost and replacement cost were identified.

Preliminary View 3—Chapter 2

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 agree that this section defines historical cost and provides detailed application guidance for assets. However, it omits guidance for the measurement of liabilities even though historical cost is identified as an option for liabilities in Diagram 4.2.

Preliminary View 4—Chapter 2

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 agree that this section defines fair value accounting and provides detailed application guidance and that IFRS 13 is an appropriate source for material relating to fair value.

By including very detailed and prescriptive guidance in Appendix A, there is a risk of creating opportunities for rules to take the place of principles. Accounting standards are not the appropriate place for detailed explanations of accounting and financial techniques and suggest that these be available separate from accounting standards.

We note that jurisdictions that are considering moving to accrual accounting or to IPSAS may be less likely to adopt standards that are perceived as being too prescriptive.

Preliminary View 5—Chapter 2

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 agree that this section defines fulfilment value and provides detailed application guidance.

Preliminary View 6—Chapter 2

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.

We agree that this section defines replacement cost and provides detailed application guidance.

Preliminary View 7—Chapter 3

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.

No, we do not agree. Borrowing costs incurred during the construction of an asset are a valid component of capitalized cost, provided the policy is applied consistently by the entity. It would be difficult to define how borrowing costs differ from other costs required to make an asset ready for use.

Preliminary View 8—Chapter 3

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.

Yes, we agree.

Preliminary View 9—Chapter 3

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.

Yes, we agree.

Preliminary View 10—Chapter 3

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 agree that in general the transaction costs incurred entering these transactions do not impact fulfillment value or fair value, which are exit-based. They do impact the entry-based historical or replacement cost of assets.

Preliminary View 11—Chapter 3

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 agree that transaction costs incurred exiting a transaction do impact the fulfillment value, as they are a part of the accrued cost. They do not impact fair value because this indicates the amount an entity would receive to sell an asset or pay to settle a liability, neither of which includes the transaction costs. Also, they do not impact the entry-based historical or replacement cost of assets.

Specific Matter for Comment 1—Chapter 2

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.

The definitions for “discount rate adjustment technique” and “expected present value technique” from Appendix A are not included in the list.

It may be helpful to include a list of measurement-related definitions that are included in other sections to help join these concepts together.

Specific Matter for Comment 2—Chapter 3

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?

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)?

Canadian public sector accounting standards are not aligned with IVS or GFS and we have no comment about this topic.

Equitable value and synergistic value appear to be very similar to fair value.

Specific Matter for Comment 3—Chapter 4

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 agree that the flowchart for assets (D4.1) provides a helpful starting point. However, the flow chart for liabilities (D4.2) does not include the subsequent fair valuation of liabilities as an option even though they are included under fair value in the in-Appendix A.

Other Comments

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In IPSASB's approach to measurement, there is an interpretational risk raised because the standards do not have a definition of exchange and non-exchange transactions. This is an issue when accounting for transactions like contributed assets in the public sector. Until these significant public sector transactions are defined, there will be ambiguity that could create conflict between these measurement principles and issued standards.