



PAFA

PAN AFRICAN FEDERATION
OF ACCOUNTANTS

BUILDING A BRIDGE TO A BRIGHTER AFRICA

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The International Public Sector Accounting Standards Board (IPSASB)

Website submission

PREFACE

The Pan-African Federation of Accountants (PAFA), is the continental body representing Africa's professional accountants. Our objective is to accelerate the development of the profession and strengthen the voice of the accountancy profession within Africa and worldwide.

In its unique regional capacity to facilitate PAOs and present a unified position of the profession, PAFA presents below its comments on the Consultation Paper issued by the International Public Sector Accounting Standards Board (IPSASB) titled *Measurement*. The responses have been presented in sequence of the Preliminary Views and Specific Matters for comment as they have been included in the Consultation Paper.

Preliminary View 1:

The IPSASB's Preliminary View is that the fair value, fulfilment 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.

PAFA response:

We are in agreement with IPSASB's Preliminary View that the fair value, fulfilment value, historical cost and replacement cost measurement bases require application guidance.

Preliminary View 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.

PAFA response:

We are in agreement with the Board's Preliminary View.

Preliminary View 3:

The IPSASB's Preliminary View is 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.

PAFA response:

We are in agreement with IPSASB's Preliminary View.

Preliminary View 4:

The IPSASB's Preliminary View is 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.

PAFA response:

We are in agreement with the Board's Preliminary View that fair value guidance should be aligned with IFRS 13. IFRS alignment has been a key pillar of IPSAS development for a long time.

Preliminary View 5:

The IPSASB's Preliminary View is 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.

PAFA response:

Yes, we are in agreement.

Preliminary View 6:

The IPSASB's Preliminary View is replacement cost guidance should be based on the concepts developed in the Conceptual Framework, expanded based on its 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.

PAFA response:

We are in agreement with the Board's Preliminary View.

Preliminary View 7:

The IPSASB's Preliminary View is 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.

PAFA response:

Yes, we are in agreement

Preliminary View 8:

The IPSASB's Preliminary View is 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.

PAFA response:

Yes, we are in agreement.

Preliminary View 9:

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.

PAFA response:

Yes, we are in agreement.

Preliminary View 10:

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

- Excluded in the valuation of liabilities measured at fulfilment 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.

PAFA response:

Yes, we are in agreement

Preliminary View 11:

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

- Included in the valuation of liabilities measured at fulfilment 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.

PAFA response:

Yes, we are in agreement.

Specific Matter for Comment 1:

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.

PAFA response:

Yes, the list of definitions provided is exhaustive.

Specific Matter for Comment 2:

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)?

PAFA response:

We have no additional views.

Specific Matter for Comment 3:

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 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 not, 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.

PAFA response:

We are in agreement.