

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Washington, D.C., USA

**Meeting Date:** March 7–10, 2017

# Agenda Item 11

For:

☐ Approval

☒ Discussion

☐ Information

## Public Sector Measurement

<b>Project summary</b>	Project will: (a) revise IPSAS requirements for measurement and measurement-related disclosure; (b) provide guidance on replacement cost and cost of fulfillment; and (c) address the treatment of transaction costs, including borrowing costs, for measurement.	
	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	1. Instructions—Up to March 2017 meeting	11.1.1
	2. Decisions—Up to March 2017 meeting	11.1.2
	3. Project roadmap	11.1.3
<b>Decisions required at this meeting</b>	Approach to Phase 1 of Project—Approve	11.2.1
<b>Supporting items</b>	Project Brief, <i>Public Sector Measurement</i>	11.3.1
	Excerpt—IPSASB Meeting Minutes—June 2015	11.3.2
	Table: Review of IPSAS for Measurement Requirements	11.3.3

**IPSASB Instructions—December 2016 meeting and earlier**

Meeting	Instructions	Actions
September 2015 to December 2016	Project awaits start. First discussion in March 2017	
June 2015	1. Revise project brief for IPSASB revisions.	Done

**IPSASB Decisions—December 2016 meeting and earlier**

<b>Meeting</b>	<b>Decisions</b>
September 2015 to December 2016	No decisions as project awaits start. First discussion will be in March 2017.
June 2015	Approved the “Public Sector Measurement” project brief

### PUBLIC SECTOR MEASUREMENT PROJECT ROADMAP

Meeting	Objective: IPSASB to consider:
March 2017	<ol style="list-style-type: none"> <li>1. Introduction to the project</li> <li>2. Project objectives and timetable</li> <li>3. Revised project brief</li> </ol>
June 2017	<ol style="list-style-type: none"> <li>1. Preliminary analysis of IPSAS measurement requirements, including treatment of transaction costs</li> </ol>
September 2017	<ol style="list-style-type: none"> <li>1. Preliminary analysis of measurement-related disclosure</li> <li>2. Decisions on project next steps</li> </ol>
<i>Indicative</i>	<i>Indicative</i>
December 2017	<ol style="list-style-type: none"> <li>1. Discuss ED, <i>Transaction Costs</i></li> <li>2. Discuss CP for measurement</li> </ol>
March 2018	<ol style="list-style-type: none"> <li>1. Approve ED, <i>Transaction Costs</i></li> <li>2. Review draft chapters for CP, <i>Public Sector Measurement</i></li> </ol>
June 2018	Review draft chapters for CP, <i>Public Sector Measurement</i>
Sept 2018	Approve CP, <i>Public Sector Measurement</i>
Dec 2018	Review of responses to ED, <i>Transaction Costs</i>
March 2019	Issue IPSAS amendment, <i>Transaction Costs</i>
June 2019	Review of Responses to CP, <i>Public Sector Measurement</i>
Sept 2019	Review draft ED, <i>Public Sector Measurement</i>
Dec 2019	Approve ED, <i>Public Sector Measurement</i>
March 2020	Consultation Period
June 2020	
Sept 2020	Review of responses to ED
Dec 2020	Review draft pronouncement (and/or revisions to existing IPSASs)
March 2021	Issue pronouncement (and/or revisions to existing IPSASs)

## **Agenda Item 11.2.1**

### **1. Project on Public Sector Measurement**

#### **Question**

Does the IPSASB confirm the Project Brief (as revised) on Public Sector Measurement?

#### **Detail**

1. The education session provides background on the project.
2. The project brief was approved in June 2015. A marked up version of the revised project is provided as agenda item 11.3.1. The revisions reflect:
  - (a) IPSASB decisions from the June 2015 meeting. (See excerpt from the June 2015 IPSASB minutes in 11.3.2.)
  - (b) Changes to address intervening developments; and
  - (c) A revised timetable for the project.

#### **Decision(s) required**

The IPSASB is asked to confirm:

- (a) The scope of the project as set out in the project brief; and
- (b) Project brief as revised.

### **2. Measurement and Fair Value in IPSAS**

#### **Question**

Does the IPSASB have any comments on the three groups of IPSASs identified through the initial review for measurement requirements?

#### **Detail**

1. Staff has carried out an initial analysis of IPSASs for their references to measurement and fair value. (See agenda item 11.3.3.)
2. The IPSASs were then grouped into the following categories:
  - (a) IPSASs which establish measurement requirements;
  - (b) IPSASs that are the focus of on-going IPSASB projects; and
  - (c) IPSASs that do not establish measurement requirements, but refer to measurement in other standards. (These would need consequential amendments.)
3. Table 1 on the following page shows the three categories.

#### **Decision(s) required**

The IPSASB is asked to note the initial groups for analysis and provide comments.

# Agenda Item

## 11.2.2

**TABLE 1: IPSAS, MEASUREMENT AND PROJECTS IN PROGRESS**

IPSASs	IPSASs
Group A Measurement Requirements	Group B Projects in Progress
IPSAS 12, <i>Inventories</i>	IPSAS 9, <i>Revenue from Exchange Transactions</i>
IPSAS 16, <i>Investment Property</i>	IPSAS 11, <i>Construction Contracts</i>
IPSAS 17, <i>Property, Plant, and Equipment</i>	IPSAS 13, <i>Leases</i>
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>
IPSAS 27, <i>Agriculture</i>	Group C: Consequential amendments
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	IPSAS 1, <i>Presentation of Financial Statements</i>
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	IPSAS 2, <i>Cash Flow Statements</i>
IPSAS 31, <i>Intangible Assets</i>	IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>
IPSAS 34, <i>Separate Financial Statements</i>	IPSAS 5, <i>Borrowing Costs</i>
IPSAS 37, <i>Joint Arrangements</i>	IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i>
IPSAS 39, <i>Employee Benefits</i>	IPSAS 14, <i>Events After the Reporting Date</i>
IPSAS 40, <i>Combinations</i>	IPSAS 18, <i>Segment Reporting</i>
IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	IPSAS 20, <i>Related Party Disclosures</i>
IPSAS 35, <i>Consolidated Financial Statements</i>	IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i>
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>
	IPSAS 38, <i>Disclosure of Interests in Other Entities</i>
	Financial Reporting under the Cash Basis of Accounting

## INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

### PROJECT BRIEF AND OUTLINE

#### 1. Subject—Public Sector Measurement

- 1.1 Chapter 7 of the Conceptual Framework (the Framework) addresses the measurement of assets and liabilities in financial statements. This chapter identifies the following measurement bases for assets and liabilities:

##### *Assets*

- Historical Cost
- Market Value
- Replacement Cost (Optimized Depreciated Replacement Cost)
- Net Selling Price
- Value in Use

##### *Liabilities*

- Historical Cost
- Cost of Fulfillment
- Market Value
- Cost of Release
- Assumption Price

- 1.2 Measurement requirements in existing IPSAS specify a variety of measurement bases: a number are fair value measurements—this definition of fair value pre-dates IFRS 13, *Fair Value Measurement*, and is not an explicit exit value: *the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.*<sup>1</sup> Largely because of this, the Framework did not include a definition of fair value, rather using the term “market value.”
- 1.3 The Framework reflects a view that there is no single measurement basis that will maximize the extent to which financial statements meet the objectives of financial reporting and achieve the qualitative characteristics. The Framework emphasizes that:
- Historical cost is a measurement basis that is strongly related to the accountability objective of financial reporting;
  - Depreciated replacement cost is a measurement basis in its own right and is likely to be an appropriate current value measurement basis for specialized operational assets; and

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<sup>1</sup> The definition in IFRS 13 is: *the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*



- Cost of Fulfillment is likely to be the only feasible measurement basis for settling many liabilities, especially where there is no transaction price and no realistic likelihood of a third party assuming the liability.
- 1.4 The combined impact of the publication of the Conceptual Framework and the revised definition of fair value in IFRS 13, *Fair Value Measurement*, is that (i) existing measurement requirements in many IPSASs are not consistent with the Framework and (ii) the definition of fair value in a number of IPSASs, notably IPSAS 17, *Property, Plant and Equipment*, is not consistent with the definition in IFRS 13.

## 2. Project Rationale and Objectives

### (a) Project rationale

- 2.1 The project rationale is that the measurement requirements and guidance in many current IPSASs and in on-going projects (see Appendix A) are not consistent with the Conceptual Framework and should be amended.

### (b) Objectives to be achieved

- 2.2 The objectives are:
- To issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure;
  - Provide more detailed guidance on the implementation of replacement cost and cost of fulfillment and the circumstances under which these measurement bases will be used; and
  - Address transaction costs, including the specific issues of ~~(a) the capitalizing or expensing of borrowing costs and (b) the scope exclusion of property, plant and equipment measured at revalued amounts from the impairment requirements of IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets.~~
- 2.3 The intermediate objectives are to produce a Consultation Paper identifying feasible options and an Exposure Draft of proposed changes to IPSASs.

### (c) Link to IFAC and IPSASB Strategic Plans

#### i. Link to IPSASB Strategy

- 2.4 The project is consistent with the IPSASB's strategic sub-objective of "developing high-quality public sector financial reporting standards". The project is also consistent with the objective of raising awareness of IPSASs and the benefits of their adoption, because the adoption of depreciated replacement cost responds to a key characteristic of most public sector entities; that their primary objective is the delivery of services, rather than the generation of cash flows.

#### ii. Link to IFAC Strategic Plan

- 2.5 IFAC's Strategic Plan for 2013–2016, *Leading the Way*, has two strategic objectives to which this project responds:
- (a) An urgent focus on improved public sector financial reporting; and
  - (b) The development, adoption and implementation of high-quality international standards.

### 3. Outline of the Project

#### (a) Project Scope

3.1 The scope of this project is to identify and evaluate current measurement requirements for both measurement at initial recognition and subsequent measurement and related guidance in the existing suite of IPSASs, evaluate whether they are in accordance with the Framework and propose amendments. The project also considers:

- a) ~~The~~ The need for more detailed implementation guidance for replacement cost and cost of fulfillment;
- b) The rationale and cost-benefit of disclosures using alternative measurement bases to those adopted for measurements using Depreciated Replacement Cost in the statement of financial position, drawing on the Conceptual Framework, and particularly Chapter 8, *Presentation in General Purpose Financial Reports*;
- c) Determination of whether assets are specialized; and
- a)d) Treatment of transaction costs.

#### (b) Key Issues

~~3.13.2~~ The key issues are listed below:

*Key Issue #1—Identifying measurement requirements in current IPSASs and on-going projects and evaluating extent to which they are consistent with the Framework.*

~~3.23.3~~ The Framework underpins the development of IPSASB's literature. The project will identify measurement requirements in current IPSASs and on-going projects and evaluate whether they are in accordance with the Framework. It will then assess whether they should be amended. Changing measurement requirements imposes costs on preparers and there may be cases where existing requirements better meet user needs.

*Key Issue #2 —Implementation Guidance*

~~3.33.4~~ The project will consider the need for implementation guidance particularly for operationalization of replacement cost and cost of fulfillment.

*Key Issue #3—Factors to be considered in determining whether an asset is specialized*

3.5 As indicated in paragraph 1.3.5 above the Framework states that replacement cost is likely to be the appropriate measurement basis for specialized public sector assets. This raises the question of which factors should be taken into account in determining whether an asset is specialized. For example, should the need to locate an asset in a particular area be considered an aspect of specialization?

*Key Issue #4—Treatment of Transaction Costs ~~Borrowing costs~~*

3.6 The treatment of transaction costs, including borrowing costs, will be considered. The treatment of borrowing costs is a significant issue in some jurisdictions, but during discussion of the project brief in June 2015 IPSASB members decided that this project should consider all transaction costs as they affect measurement.

3.7 The issue of borrowing costs arose ~~in~~ in 2007 when the IASB issued a revised IAS 23, *Borrowing Costs*. The revised IAS 23 eliminated the option of the immediate expensing of borrowing costs. In

accordance with its convergence policy the IPSASB commenced a limited scope project to revise IPSAS 5, *Borrowing Costs*. The initial objective was to remove the expensing option in IPSAS 5. Following an intensive consideration of public sector circumstances, the IPSASB formed a view that in most cases the expensing of borrowing costs is the most appropriate accounting policy and that capitalization of borrowing costs should be restricted to cases where there is a direct link between the debt instrument and the qualifying asset. The IPSASB issued ED 35, *Borrowing Costs*, which proposed this approach in 2008.

- 3.68 The response to ED 35 was inconclusive and there was no clear indication of the approach that the IPSASB should take. The IPSASB therefore concluded that it was difficult to determine the appropriate treatment for borrowing costs in the public sector until the Framework had been completed.
- 3.79 This project will consider treatment of transactions costs, for example, professional fees for legal services and transfer taxes. As part of its broad consideration of transaction costs it will reopen the approach to borrowing costs. It will consider whether there should be a differential approach to borrowing costs based on whether assets are measured ~~on-at~~ historical cost or ~~on-at~~ current value. .

~~Key Issue #5—Scope Exclusion of Property, Plant and Equipment from IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets~~

~~3.8—Property, plant and equipment measured at revalued amounts under the revaluation model in IPSAS 17, and investment property measured at fair value in accordance with the fair value model in IPSAS 16, *Investment Property*, are currently outside the scope of IPSAS 21 and IPSAS 26. The rationale in the Basis for Conclusions (BC) of IPSAS 21 is that assets on the revaluation model and fair value model will be “revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date and any impairment will be taken into account in the valuation.” The BC also explains that (i) there are different methods of determining recoverable service amount in IPSAS 21 and determining recoverable amount in IAS 36, *Impairment of Assets*; and (ii) the requirement in IAS 36 to combine non-cash-generating assets with cash-generating assets to form a cash-generating unit is not replicated in IPSAS 21. The scope exclusion in IPSAS 26 was largely because it was considered inconsistent to have a scope inclusion for revalued assets in IPSAS 21, but not in IPSAS 26.~~

~~3.9—The exclusions have been challenged by standard setters from jurisdictions where public sector assets are generally carried at revalued amounts. The scope exclusion and the black letter requirement in IPSAS 17.51 that “if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued” seem to have the consequence that, if impairments to assets arise then all assets within the class have to be revalued. It is unclear whether this was intended. The project will re-examine the rationale for the scope exclusion in IPSAS 21 and IPSAS 26~~

~~Key Issue #5—Disclosures~~

- 3.810 The project will evaluate the current disclosure requirements in IPSASs related to measurement, taking into account the concepts in Chapter 8, *Presentation in General Purpose Financial Reports*. In particular, the project will consider the rationale and cost-benefit of disclosures using alternative measurement bases to those adopted for measurements for the statement of financial position.

#### 4. Describe the Implications for any Specific Persons or Groups

##### (a) Relationship to IASB

- 4.1 There are links to IFRS 13, *Fair Value Measurement*. One of the objectives of IFRS 13 is to set out in a single IFRS a framework for measuring fair value. The higher level aim is to enhance consistency of measurement requirements in the IASB's literature. This IPSASB project has a similar aim of enhancing consistency.

##### (b) Relationship to Other Standards, Projects in Process or Planned Projects

- 4.2 There is a strong link to the two projects on Public Sector Assets: Infrastructure and Heritage. The Infrastructure Assets project is not projected to start until Quarter ~~3-2~~ 2016<sup>7</sup>, so that it can be informed by the approach in this project. Because infrastructure assets will be measured at replacement cost the approach developed in this project will be of particular relevance.

##### (c) Other—Government Finance Statistics

- 4.3 Measurement requirements in the Government Finance Statistics Manual 2014 for financial and non-financial assets will be considered. The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) will provide the approach.

#### 5. Development Process, Project Timetable and Project Output

##### (a) Development Process

- 5.1 The project will take a multi-stage approach, commencing with a survey of measurement requirements in IPSASs (except for financial instruments) against the Conceptual Framework and IFRS 13. The IPSASB will use the resulting inventory to decide on the project's next stages. The development of outputs will be subject to the IPSASB's formal due process. The approval of the ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the proposed path in the project timetable remains the most appropriate.

##### (b) Project timetable (Revised)

- 5.2 The major milestones are listed below. ~~Staff does not think it necessary to develop a Consultation Paper.~~

Major Project Milestones	Expected Completion
Present revised Project Brief	March 2017
Preliminary analysis (measurement: bases & transaction costs)	June 2017
Preliminary analysis (disclosure, etc.) and IPSASB decisions on project next steps	September 2017
<i>Indicative</i>	<i>Indicative</i>
Development of ED, <i>Transaction Costs</i>	December 2017
Development of Consultation Paper (CP)	June 2018

Major Project Milestones	Expected Completion
Approve CP / Issue IPSAS amendment, <i>Transaction Costs</i>	September 2018
Review of responses to CP	June 2019
Develop draft amendments and additions to IPSASs	December 2019
Approve ED of proposed amendments and additions to IPSASs (four month comment period)	March 2020
Review of Responses to ED	September 2020
Issues amendments and additions to IPSASs	March 2021

**(c) Project output**

- 5.3 The initial output will be a CP. Following the evaluation of responses to the CP, an ED containing proposed amendments to the measurement requirements and amendments and additions to guidance the existing suite of IPSASs will be issued. The final output will be revised IPSASs with amended requirements and guidance, including, potentially, additional guidance.

**6. Resources Required**

**(a) Task Force**

- 6.1 A Task Force will oversee the project. It is proposed that this Task Force should include a representative of the International Valuation Standards Council (IVSC) and the statistical accounting community.

**(b) Staff**

- 6.2 It is envisaged that 0.5 Full Time Equivalent (FTE) will be required to resource the project.

**(c) Factors that might add to complexity and length**

- 6.3 The range of existing measurement and disclosure requirements in existing IPSASs. The complexity of certain measurement bases. The extra coordination and consultation related to a Task Force compared with a Task Based Group.
- 6.4 Developing a Consultation Paper extends the length of this project by 15-18 months.

**7. Important Sources of Information**

- 7.1 Important information sources include:

- Chapters 7 and 8 of the Conceptual Framework;
- Governmental Accounting Standards Board, Statement 72, *Fair Value Measurement*;
- Conseil de Normalisation des Comptes Publics (CNOCP), Standard 6, *Tangible Assets*;
- International Valuation Standards Council, Exposure Draft, *Valuations of Specialised Public Sector Assets*;

- Public Sector Accounting Group of Canadian Institute of Chartered Accountants, *Guide to Accounting for and Reporting Tangible Capital Assets*
- New South Wales Treasury, *Policy and Guidelines Paper*, Valuation of Physical Non-Current Assets at Fair Value
- CPA Australia, *Guide to Valuation and Depreciation under the International Accounting Standards for the Public Sector*
- Government Finance Statistics Manual 2014.

## APPENDIX A: ON-GOING AND RECENT PROJECTS THAT INCLUDE MEASUREMENT<sup>2</sup>

### On-going projects:

- (a) Cash Basis IPSAS;
- (b) Leases;
- (c) Revenue and Non-Exchange Expenses;
- (d) Social Benefits;
- (e) Heritage; and
- (f) Infrastructure (expected to start in June 2017).

### Recently completed projects that considered measurement and deferred to this project:

- (a) Employment Benefits (IPSAS 39);
- (b) Impairment (IPSAS 21 and IPSAS 26);
- (c) Interests in Other Entities (IPSASs 34-38); and
- (d) Public Sector Combinations (IPSAS 40).

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<sup>2</sup> This list excludes the two financial instruments projects (Public Sector Financial Instruments and Financial Instruments Update) because they are outside of the scope of this project.



**Excerpt—IPSASB Minutes June 2015**

Draft Minutes June 2015 IPSASB Meeting  
*IPSASB Meeting (September 2015)*

*Public Sector Measurement*

Staff summarized the discussion at the last meeting, noting particularly that a number of members had reservations about a number of aspects of the draft project brief, including an insufficient acknowledgement of the complexity of the project, an underestimate of the staff resources required and a disproportionate focus on initial recognition, rather than subsequent measurement. Staff indicated that these issues had been addressed in the revised project brief.

Members considered that the revised project brief was more satisfactory and captured the rationale for the project better. A member commented that the project is complex and very wide-ranging with a scope that will potentially include all IPSASs with measurement requirements. Members also expressed concerns about resource requirements.

Staff indicated that measurement requirements related to IPSAS 29, *Financial Instruments: Recognition and Measurement* will be considered in the project to update that IPSAS. There is currently also ambiguity as to the outputs of the project: they might be one or more standalone IPSASs, revisions to existing IPSASs or implementation guidance. The project also needs to consider measurement requirements in Government Financial Statistics. The importance of the relationship with the International Valuation Standards Council (IVSC) was emphasized. Staff said that it would be important to communicate with both statistical accountants and the IVSC and therefore it was planned to establish a Task Force, in order to provide expert views, rather than a Task Based Group.

While acknowledging that it added to the complexity it was suggested that recognition should be brought within the scope because it is closely related to measurement. Staff noted that recognition had been discussed on the first day of the meeting and that it might be logical to include recognition in the scope. However, a contrary view was expressed that recognition and measurement should be decoupled and that measurement could be considered without dealing with recognition. It was decided not to bring recognition within the scope.

There were reservations about identifying the treatment of borrowing costs as a specific key issue in its own right. It was acknowledged that the treatment of borrowing costs is a significant issue in some jurisdictions. Members confirmed that borrowing costs should be within the scope of the project, but that this should be from the broader perspective of the treatment of transaction costs. Staff was directed to amend the project brief accordingly.

A member noted that the project brief focused on depreciated replacement cost and cost of fulfillment and suggested that the other measurement bases identified in the Conceptual Framework should be considered, including the replacement of fair value with market value. Staff clarified that the project will include all the measurement bases in the IPSASB's literature.

It was suggested that there is a need to have feedback on adoption and implementation issues and that multi-lateral organizations might provide assistance in such information gathering. The Chair expressed some reservations, noting that the International Accounting Standards Board had expended considerable staffing and other resources on research into adoption and implementation across jurisdictions. The outputs had been fairly high level, rather than providing the in-depth information that would be useful for a project on public sector measurement.

Members acknowledged the need to deal with the issue of the scope exclusion of assets on the revaluation model from IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*. However, there were reservations whether it is appropriate to address the issue in a project on public sector measurement. There was general agreement that impairment is too big an issue



## Agenda Item 11.3.2

Draft Minutes June 2015 IPSASB Meeting  
*IPSASB Meeting (September 2015)*

for the improvements project, but that addressing it in the measurement project and not finalizing the issue until 2020 is not optimal. It was therefore decided to address this impairment scope exclusion issue in a smaller separate project.

Members reaffirmed their support for the project, but favored a proposal that a multi-stage approach should be adopted. This approach starts with a preliminary analysis, rather than determining the scope and objective of the entire project at the outset. It was therefore agreed that the project would commence with a survey of measurement requirements in current IPSASs against the Conceptual Framework except for financial instruments, in order to produce an inventory. Following the completion of this survey, the IPSASB will then consider the further stages to be carried out. The project was approved unanimously on this basis.

**TABLE 2: REVIEW OF IPSASs FOR MEASUREMENT REQUIREMENTS**

This table identifies measurement requirements and references to fair value in the 2016 *Handbook of International Public Sector Accounting Standards*.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 1, <i>Presentation of Financial Statements</i>	Not applicable	Yes, see paragraphs 50, 130, 133, 134, 143 and 148	Not applicable	IPSAS 1 does not establish measurement requirements, although it does refer to measurement bases, including fair value.  References that do not require amendment <sup>1</sup> : Paragraphs 92, 101, 132 and 141  References that may need amendment: Paragraphs 50, 133, 134, 143 and 148
IPSAS 2, <i>Cash Flow Statements</i>	Not applicable	Yes, see paragraphs 50A, 52A and 52B	Not applicable	IPSAS 2 does not establish measurement requirements.  References that may need amendment: Paragraphs 50A, 52A, 52B
IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Not applicable	Yes, see paragraphs 37, 57 and IG15	Not applicable	IPSAS 3 does not establish measurement requirements.  References that may need amendment: Paragraphs 37, 57 and IG15
IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>	Not applicable	Yes, see paragraphs 27–28, 61	Not applicable	IPSAS 4 does not establish measurement requirements.  References that do not require amendment: Paragraphs 29, 36, 39  References that may need amendment: Paragraphs 27–28, 61

<sup>1</sup> These will generally be references to measurement bases or a particular measurement base (e.g. historical cost), but not mention fair value.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 5, <i>Borrowing Costs</i>	Not applicable	None.	Not applicable	IPSAS 5 does not establish measurement requirements <sup>2</sup> . References that do not require amendment: Paragraph 19 No references that need amendment
IPSAS 6, <i>Consolidated and Separate Financial Statements</i>	Replaced	Replaced	Replaced	Replaced by IPSAS 34 and IPSAS 35
IPSAS 7, <i>Investments in Associates</i>	Replaced	Replaced	Replaced	Replaced by IPSAS 37
IPSAS 8, <i>Interests in Joint Ventures</i>	Replaced	Replaced	Replaced	Replaced by IPSAS 37
IPSAS 9, <i>Revenue from Exchange Transactions</i>	Revenue	Yes, see paragraphs 14–16	Review	Active project applicable to this IPSAS.
IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i>	Not applicable	Yes, see paragraph 17	Not applicable	Refers to measurement References that may need amendment: Paragraphs 17–18
IPSAS 11, <i>Construction Contracts</i>	Revenue and “costs”	Yes, see paragraphs 16–17	Review	References that do not require amendment: Measurement referred to throughout IPSAS 11, focused on “reliable measurement” a methods to identify the amounts included for measurement References that may need amendment: Paragraph 17

<sup>2</sup> The project brief for Public Sector Measurement refers to whether borrowing costs should be capitalized or expensed, as an issue to address in this project. (Paragraph 2.2 states that the project objectives include to address the specific issue “the capitalizing or expensing of borrowing costs”. However, that is an element definition and then recognition issue rather than a measurement issue. In staff view, the two different ways in which amounts can be impacted (extent of recognition (sometimes described as accounting method) *versus* measurement base used) should be clearly distinguished by the IPSASB, since conceptually they are distinct.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 12, <i>Inventories</i>	Assets	Yes, see paragraphs 3, 8, 10, 16, 29, 31 and 47	Review	References that do not require amendment: Paragraph(s) 13  References that may need amendment: Paragraph(s) 3, 7 and 8 (scope exclusion that refers to fair value) From paragraph 15, the measurement paragraphs
IPSAS 13, <i>Leases</i>	Assets, liabilities, expenses, revenue	Yes, see paragraphs on measurement	Review	Active project applicable to this IPSAS. Discuss approach, given project is in progress.
IPSAS 14, <i>Events After the Reporting Date</i>	None (focus is on events)	None	Not applicable	References that may need amendment: Paragraph(s) 13, 31,
IPSAS 15—Removed				
IPSAS 16, <i>Investment Property</i>	Assets	Yes, see paragraphs on measurement at and after recognition (36—65)	Review	References that may need amendment: Paragraphs 36 to 65 (fair value model and cost model)
IPSAS 17, <i>Property, Plant, and Equipment</i>	Assets	Yes, see measurement paragraphs, starting at paragraph 26	Review	References that may need amendment: Paragraph 14 and measurement paragraphs, starting at paragraph 26  IPSAS 17 applies to service concession arrangement assets after their initial recognition and measurement (IPSAS 32), while IPSAS 13, <i>Leases</i> , and IPSAS 16, <i>Investment Property</i> refer to some of its requirements.
IPSAS 18, <i>Segment Reporting</i>	Segment assets, liabilities, revenue and expenses	None	Not applicable	Paragraphs address segment-related measurement. Does not refer to measurement bases.
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Liabilities	None (Only in the implementation guidance, not the Standard)	Review	Paragraphs 44—96 address measurement of liabilities. Review for consistency with CF and relevance of IFRS 13.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 20, <i>Related Party Disclosures</i>	Not applicable	Yes, paragraph 33	Not applicable	Refers to measurement in other IPSASs. References that may need amendment: Paragraph(s) 33
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	Assets and “losses”	Yes, see paragraphs on measurement	Review	Paragraphs 35—57 address measurement for impairments. Review for consistency with CF and relevance of IFRS 13.
IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i>	Not applicable	None	Not applicable	References (to measurement) that do not require amendment: Paragraph(s) 26 and 32
IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>	Assets, liabilities and revenue	Yes, paragraphs on definition, recognition and measurement	Review	Active project applicable to this IPSAS.
IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>	Not applicable	None	Not applicable	IPSAS 24 does not refer to either measurement or fair value.
IPSAS 25, <i>Employee Benefits</i>	Replaced	Replaced	Replaced	IPSAS 39 replaces, effective January 1, 2018, with earlier adoption encouraged.
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	Assets and “losses”	Yes, see paragraphs on measurement	Review	Paragraphs 31—75 address measurement for impairments. Review for consistency with CF and relevance of IFRS 13.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 27, <i>Agriculture</i>	Assets	Yes, see paragraphs on measurement	Review	Paragraphs 13—75 address measurement for Agriculture, with other paragraphs also referring to fair value. Review for consistency with CF and relevance of IFRS 13.
IPSAS 28, <i>Financial Instruments: Presentation</i>	Recommend address through active project	See recommendation	No action	Active project applicable to this IPSAS <sup>3</sup> .
IPSAS 29, <i>Financial Instruments: Recognition and Measurement</i>	Recommend address through active project	See recommendation	No action	Active project applicable to this IPSAS.
IPSAS 30, <i>Financial Instruments: Disclosures</i>	Recommend address through active project	See recommendation	No action	Active project applicable to this IPSAS.
IPSAS 31, <i>Intangible Assets</i>	Assets	Yes. Paragraph 26 and multiple subsequent paragraphs	Review	Paragraphs 26—116 address measurement for Intangible Assets, with other paragraphs also referring to fair value. Review for consistency with CF language and relevance of IFRS 13.
IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	Assets, liabilities, revenue	Yes. Paragraph 11 and multiple subsequent paragraphs	Review	Paragraphs 9—31 address measurement for Service Concession Arrangements. Other paragraphs also refer to fair value. Review for consistency with CF and relevance of IFRS 13.
IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i>	Assets and liabilities	Yes. Paragraph 64 and multiple subsequent paragraphs	Review	Paragraphs 15—22 address measurement at first time adoption of IPSAS. Other paragraphs (e.g. those on use of deemed cost) also refer to fair value. Review for consistency with CF language and relevance of IFRS 13.

<sup>3</sup> The Financial Instruments Update project aims to issue a revised IPSAS 29, *Financial Instruments: Recognition and Measurement*. Additional amendments to IPSAS 28, *Financial Instruments: Presentation* and IPSAS 30, *Financial Instruments: Disclosures* are also expected, however, those amendments are limited compared to the impact on IPSAS 29.

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
IPSAS 34, <i>Separate Financial Statements</i>	Assets	Yes. Paragraph 13 and multiple subsequent paragraphs	Review	In 2014, the IPSASB considered whether to align measurement in this Standard with Conceptual Framework's terminology, and decided to retain an IFRS–converged approach to measurement.
IPSAS 35, <i>Consolidated Financial Statements</i>	Assets, liabilities, revenue, expenses	Yes. Paragraph 5 and multiple subsequent paragraphs	Review	As for IPSAS 34
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Assets, revenue	Yes. Paragraph 23 and multiple subsequent paragraphs	Review	As for IPSAS 34
IPSAS 37, <i>Joint Arrangements</i>	Assets and liabilities	Yes. Only in application guidance. (e.g. AG.14)	Review	As for IPSAS 34
IPSAS 38, <i>Disclosure of Interests in Other Entities</i>	None	Yes. Paragraph 4 and multiple subsequent paragraphs	Review	As for IPSAS 34 IPSAS 38 refers to fair value measurement, but does not establish measurement requirements.
IPSAS 39, <i>Employee Benefits</i>	Assets and liabilities	Yes	Review	Obtain final version and identify measurement paragraphs. Review for consistency with CF and relevance of IFRS 13.
IPSAS 40, <i>Combinations</i>	Assets and liabilities	Yes (complete)	Review	IPSASB considered whether or not to align IPSAS 40's measurement terminology with the Conceptual Framework's terminology, and decided to retain an "IFRS approach" to measurement <sup>4</sup> . Noted that this issue should be considered as part of the Public Sector Measurement Project.

<sup>4</sup> Agenda item 8.1 for the December 2014 IPSASB meeting: "On balance, staff proposes retaining the term fair value in a future IPSAS on public sector combinations. The term is widely used in IPSAS literature, and its use would maintain consistency with the wording of IFRS 3. Inconsistencies in the application of fair value between IPSAS and IFRS could be addressed in a future measurement standard..." Minutes of that meeting: "The IPSASB decided to use fair value as the measurement basis for acquisitions, as the term is defined in IPSASs. The IPSASB noted that there would be the opportunity to revisit this decision if it undertakes a public sector measurement project..."

IPSAS	Elements Measured	Fair Value Reference	FV = IFRS 13 Approach	Other Comments
Financial Reporting under the Cash Basis of Accounting	Cash	Yes, paragraph 1.10.22	Review	Active project applicable to this IPSAS <sup>5</sup> . Reference to fair value relates to disclosure rather than measurement requirements.
<b>RPGs</b>				The RPGs refer to “cost”. The Glossary definition of cost refers to fair value.
RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i>	None	None	Not applicable	
RPG 2, <i>Financial Statement Discussion and Analysis</i>	None	None	Not applicable	
RPG 3, <i>Reporting Service Performance Information</i>	None	None	Not applicable	
<b>Other sections of the <i>Handbook of International Public Sector Accounting Standards</i></b>				
Conceptual Framework	None	Yes – only in the Basis for Conclusions	Not applicable	Chapter 3's Basis for Conclusions refers to fair value in its discussion of faithful representation. Chapter 7's Basis for Conclusions explains why market value is identified as a measurement basis rather than fair value and refers to IFRS 13.
Glossary of Defined Terms	None	Yes. Definition for fair value and use of fair value in other definitions	Not applicable	Fair value: “The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.”  Cost is “The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.”

<sup>5</sup> The Financial Instruments Update project aims to issue a revised IPSAS 29, *Financial Instruments: Recognition and Measurement*. Additional amendments to IPSAS 28, *Financial Instruments: Presentation* and IPSAS 30, *Financial Instruments: Disclosures* are also expected, however, those amendments are limited compared to the impact on IPSAS 29.