

Agenda Item 6: Public Sector Measurement

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IPSASB Meeting

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Overview

1. (a) Outlines for exposure draft (ED), consultation paper (CP)
(b) Project route map
(c) Discount rates
2. Review approach with examples
3. Public sector measurement – context for information

Issue 1

- Outline Exposure Draft
- Outline Consultation Paper
- Revised Project Roadmap
- Discount rates

Issue 1, Outline Exposure Draft

- Outline is provided as agenda paper 6.3.1
- Key points to note are in paragraph 4 of paper 6.2.1
- Comments sought from the IPSASB

Issue 1, Outline Consultation Paper

- Outline is provided as paper 6.3.2
- Key points to note are in paragraph 5 of paper 6.2.1
- Proposal is that material will be included in the CP only where it is necessary to explain the IPSASB's thinking
- Comments sought from the IPSASB

Issue 1, Revised Project Road Map

- Paragraph 6 of paper 6.2.1 and paper 6.1.3 refer
- No decision required at this meeting re Route 1 or Route 2
- Both routes lead to combined ED/CP in December 2018
- Route 1 leads to PS Measurement IPSAS in March 2020, with consequential amendments by June 2021
- Route 2 leads to IPSAS containing all material by June 2021

Issue 1, Discount Rates

- Paragraphs 7 and 8 of paper 6.2.1 refer
- Several projects underway elsewhere
- Some projects due to report in 2018
- May be scope for including in ED/CP

Issue 2, Review Approach

Does the IPSASB agree:

- With the review approach? (See agenda paper 6.2.2)
- Recommendations on measurement in:
 - IPSAS12, *Inventories*
 - IPSAS 16, *Investment Properties*
 - IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets?*

Issue 2, Review Approach

- Review approach has three components:
 - Public sector measurement needs override (Task Force will highlight areas for IPSASB consideration)
 - No change to “basic measurement rule” in each IPSAS
 - Apply rebuttable presumption that “fair value” has same meaning as in IFRS 13, *Fair Value Measurement*, in IFRS–converged IPSASs
- *Note:* Need to align approach with ED-Outline (Issue 1)

Issue 2, Review Approach - Examples

(a) Public sector specific measurement needs:

- IPSASs 12, *Inventories*, and IPSAS 16 *Investment Property*:
 - Initial measurement at fair value when acquired through non-exchange transaction (revision to original IFRS)
 - Transaction costs and borrowing costs (project issue)
 - IPSAS 12: Subsequent measurement; inventories provided at no or nominal cost
- IPSAS 19, *Provisions-Contingencies*: Discount rates (project issue)

Review Approach - Examples

(b) No change to “basic measurement rule”:

IPSAS 12: Cost, then lower of cost & net realizable value

IPSAS 16: Cost, then choose either fair value model or cost model

IPSAS 19 - provisions: Best estimate of expenditure required to settle the present obligation at the reporting date

Review Approach - Examples

(c) Rebuttable presumption-fair value has IFRS 13 meaning:

IPSAS 12: Reference to “fair value” inserted to address PSS issue, and will require consideration

IPSAS 16: Fair value has IFRS 13 meaning

IPSAS 19: Not an issue for IPSAS 19. (Only reference in implementation guidance and IFRS 13 meaning appears to apply.)

Issue 3, Public Sector Measurement

- Agenda paper 6.3.1 explains that CP's content will reflect IPSASB's thinking for the ED
- So, context in agenda paper 6.3.4 is *for information*:
 - Relevance of information in other reports (for measurement of assets and liabilities in the financial statements)
 - Conceptual Framework's coverage of measurement
 - IPSAS measurement—an overview (Where is the potential for inconsistency with the Conceptual Framework?)

Next steps: See route planner and ED outline

- Approval of draft ED sections on:
 - Objective
 - Scope (assets, liabilities)
 - Definitions
 - Measurement on Initial Recognition (How to determine historical cost, treatment of transaction costs and borrowing costs)
- Any related CP material (Depends on IPSASB thinking on ED sections)



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