

Meeting: International Public Sector Accounting Standards Board

Meeting Location: New York, USA

Meeting Date: March 12–15, 2024

Agenda Item 9

For:

Approval

Discussion

Information

MEASUREMENT APPLICATION PHASE

Project summary	The project objective is to evaluate the applicability of current operational value in IPSAS not explicitly considered in phase one of the Measurement project.	
Project staff leads	<ul style="list-style-type: none"> • Agustina Llambi, Senior Manager • John Stanford, Senior Advisor 	
Task Force members	<ul style="list-style-type: none"> • David Watkins, IPSASB Technical Advisor (Task Force Chair) • Liang Caroline Yang, IPSASB Member • Takeo Fukiya, IPSASB Technical Advisor • Mark Wermuth, IPSASB Technical Advisor • Todd Beardsworth, Office of the Auditor-General Te Mana Arotake • Shahad A. Alshehri, Ministry of Finance, Kingdom of Saudi Arabia 	
Meeting objectives	Topic	Agenda Item
Project management	Measurement Application Phase Dashboard	9.1.1
	Instructions up to Previous Meeting	9.1.2
	Decisions up to Previous Meeting	9.1.3
	Measurement Application Phase: Project Roadmap	9.1.4
Decisions required at this meeting	IPSAS 12, Inventories – Day 2 Movement	9.2.1
	‘Least Costly Manner’ – Current Operational Value	9.2.2
	IPSAS 31, Intangible Assets - Applicability of Current Operational Value	9.2.3
	Current Value Measurement Disclosures – Proposed Amendments	9.2.4
	Other Instructions – December 2023 IPSASB Meeting	9.2.5
	Exposure Draft - Development	9.2.6
Other supporting items	(draft) Exposure Draft [XX], Application of IPSAS 46, Measurement (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46)	

	CAG's Advice on the Measurement Application Phase	9.3.2
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**MEASUREMENT APPLICATION PHASE:
 DASHBOARD**

Topic	Past Meetings	Mar 2024	June 2024
[Project Management]	✓		
Review and Approval of Measurement Application Phase			
Measurement – Applicability of current operational value			
• IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		
• IPSAS 12, <i>Inventories</i>			
• IPSAS 16, <i>Investment Property</i>	✓		
• IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>			
• IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	✓		
• IPSAS 27, <i>Agriculture</i>	✓		
• IPSAS 31, <i>Intangible Assets</i>			
• IPSAS 32, <i>Service Concession Arrangements: Grantor</i>	✓		
• IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	✓		
• IPSAS 37, <i>Joint Arrangements</i>	✓		
• IPSAS 40, <i>Public Sector Combinations</i>	✓		
• IPSAS 41, <i>Financial Instruments</i>	✓		
• IPSAS 43, <i>Leases</i>			
Current Value Measurement Disclosures			
Exposure Draft			

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
June 2023	1. Include in the Basis for Conclusions the fact that biological assets in the scope of IPSAS 27 are held to generate economic benefits and therefore current operational value is not an applicable measurement basis.	1. See Agenda Item 9.2.6
September 2023	2. Develop a draft ED addressing the IPSASB's decisions to date.	2. See Supporting Document 9.3.1
December 2023	3. Consider redrafting of proposed IPSAS 12.17(c) for clarity and whether there is an unintended Day 2 movement for harvested biological assets in the scope of IPSAS 12.	3. See Agenda Item 9.2.5 and Agenda Item 9.2.1 respectively
	4. Review the examples illustrating the application of current value measurement bases in impairment calculations to: (a) Consider the unit of account; (b) Provide an example of the market approach to estimate COV; and (c) Reduce the number of monetary units in the examples.	4. See Agenda Item 9.2.5 and Supporting Document 9.3.1
	5. Clarify how the principle of 'least costly manner' should be applied in the context of right-of-use assets.	5. See Agenda Item 9.2.2

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2023	1. IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> should be amended to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy.	1. See IPSAS 3.BC16-BC19 in Supporting Document 9.3.1
	2. Subject to the instructions below, COV is an applicable measurement basis for inventories (IPSAS 12) at initial measurement acquired in non-exchange transactions.	2. See IPSAS 12.BC9, in Supporting Document 9.3.1
	3. Subject to the instructions below, COV is an applicable subsequent measurement basis for inventories (IPSAS 12) held for their operational capacity.	3. See IPSAS 12 BC16-BC18 in Supporting Document 9.3.1
	4. Revising the initial measurement terminology in IPSAS 32, <i>Service Concession Arrangements: Grantor</i> , is out of scope of the Measurement Application project.	4. N/A December 2023 – IPSASB Meeting Minutes (to be approved in the March 2024 meeting)
	5. The two arms of recoverable service amount should be COV and fair value less costs to sell (IPSAS 21).	5. See IPSAS 21.BC31-BC47 in Supporting Document 9.3.1
	6. The restoration cost and service units approaches should be removed from the updated IPSAS 21.	6. See IPSAS 21.BC39-BC42 in Supporting Document 9.3.1
	7. Subject to the instructions below, COV is an applicable subsequent measurement basis for right of use assets (IPSAS 43) subsequently measured in accordance with IPSAS 45, <i>Property, Plant and Equipment</i> .	7. See IPSAS 46.BC96, in Supporting Document 9.3.1
September 2023	1. The IPSASB decided that COV is an applicable subsequent measurement basis for service concession assets accounted in accordance with IPSAS 45, <i>Property, Plant and Equipment</i> or IPSAS 31, <i>Intangible Assets</i> .	1. See IPSAS 46.BC96, in Supporting Document 9.3.1
	2. The IPSASB decided that the applicability of COV should be retained in the individual IPSAS as opposed to being included in IPSAS 40, <i>Public Sector Combinations</i> .	2. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1

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	3. IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> , should be updated to include the definition of accounting estimate and the 'measurement techniques' terminology introduced in IPSAS 46, <i>Measurement</i> , should be applied consistently throughout IPSAS.	3. See IPSAS 46.BC100 and IPSAS 3.BC20-BC21 in Supporting Document 9.3.1
June 2023	1. The IPSASB decided that COV is not an applicable measurement basis for IPSAS 16, <i>Investment Property</i> .	1. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	2. The IPSASB decided that IPSAS 26, <i>Impairment of Cash-Generating Assets</i> should not be in the scope of the Measurement Application Phase.	2. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	3. The IPSASB decided that COV is not an applicable measurement basis for IPSAS 27, <i>Agriculture</i> .	3. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	4. The IPSASB decided that COV is not an applicable measurement basis for IPSAS 36, <i>Investments in Associates and Joint Ventures</i> .	4. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	5. The IPSASB decided that the applicability of COV should be retained in the individual IPSAS as opposed to being included in IPSAS 37, <i>Joint Arrangements</i> .	5. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	6. The IPSASB decided that COV is not an applicable measurement basis for IPSAS 41, <i>Financial Instruments</i> .	6. See Agenda Item 9.2.6 and IPSAS 46.BC92-BC98 in Supporting Document 9.3.1
	7. The IPSASB decided that the scope of the review of IPSAS 21 should be limited to the definition of 'recoverable service amount' and the components of 'recoverable service amount'.	7. See IPSAS46.B99 and IPSAS 21.BC29-BC30 in Supporting Document 9.3.1
March 2023	1. The IPSASB decided the specific IPSAS in the scope of the Measurement Application Phase.	1. See Agenda Item 9.2.6 and IPSAS 46.BC93
December 2022	1. The potential application of COV across the existing suite of IPSAS should be added to the work program as a separate phase, with work to begin after the expected approval of IPSAS, <i>Measurement</i> , in March 2023.	1. Not applicable - Measurement: Application of COV has been added to the work program .

**MEASUREMENT APPLICATION PHASE:
 PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
December 2022	1. Application of COV - Phase 2 of the Measurement was added to the work program .
March 2023	1. Discussion of Issues
June 2023	1. Discussion of Issues
September 2023	2. Discussion of Issues
December 2023	3. Discussion of Issues
March 2024	1. Discussion of Issues 1. Review of Exposure Draft (page flip)
June 2024	1. Approval of Exposure Draft
July 2024 – December 2024	1. Document Out for comment
March 2025	1. Review Responses to Exposure Draft 2. Discuss Issues
June 2025	1. Review of Pronouncement (page flip) 2. Approval of Amendments

IPSAS 12, *Inventories* – Day 2 Movement

Question

1. Does the IPSASB agree current operational value (COV) should replace current replacement cost (CRC) when measuring inventories held for their operational capacity is appropriate?

Recommendation

2. The Task Force and staff recommend the IPSASB confirm its December 2023¹ decision to replace CRC with COV when measuring inventories held for their operational capacity.

Background

3. In September 2023, the IPSASB decided that COV was not an applicable measurement basis for assets in the scope of IPSAS 27, *Agriculture* as these generate economic benefits.
4. In December 2023, the IPSASB decided COV should replace CRC in the measurement of inventories held for their operational capacity. This aligned the IPSAS 12 measurement with the updated measurement methodology in IPSAS 46, *Measurement*.
5. An IPSASB member highlighted further analysis should be performed on whether replacing CRC with COV when determining the measurement of inventories held for their operational capacity² may result in an unintended day 2 movement, specifically when the cost of those inventories at initial recognition is fair value less cost to sell³. The board instructed staff to perform this analysis.

Analysis

6. The IPSASB's member specific concern was that the replacement of CRC with COV in the 'lower of cost and CRC' could result in an unintended day 2 movement because inventories comprising of agricultural produce that an entity has harvested from its biological assets ('agricultural produce') will be measured as follows⁴:
 - (a) Day one – When agricultural produce becomes inventory they are recognized at cost (which is FV less cost to sell at the point of harvest).
 - (b) Day two – Subsequent to initial measurement agricultural produce held for its operational capacity, as inventory, will be measured at the lower of cost and COV.

Because the measurement bases between day one and day two differ (FV vs COV⁵), an unintended write down could occur.

¹ See [Agenda Item 4.2.2](#).

² IPSAS 12.17 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- (a) Distribution at no charge or for a nominal charge; or
- (b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

³ Inventories comprising agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at their fair value less costs to sell at the point of harvest in accordance with IPSAS 27. This requirement is aligned with IAS 41, *Agriculture* from where IPSAS 27 requirements are primarily drawn from. The IPSASB did not note a public specific reason to depart from this requirement.

⁴ See [Appendix A](#) for an illustration of measurement requirements for inventories comprising agricultural produce that an entity has harvested from its biological assets.

⁵ See [Appendix B](#) for a comparison between COV and FV.

Current guidance

7. IPSAS 12.17 currently requires the measurement of inventories at the lower of cost and CRC where they are held for:
 - (a) Distribution at no charge or for a nominal charge; or
 - (b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The measurement of inventories at the lower of two values can result in a day 2 movement when CRC is lower than the cost of inventories.

8. Consistent with paragraph 7, the measurement of inventories at the lower of cost and COV can result in a day 2 movement when COV is lower than the cost of inventories. The measurement of inventories at COV is expected to approximate CRC considering that both are amounts the entity would pay (i.e., entry value) for the existing asset.
9. Therefore, the proposed guidance is consistent with the existing guidance in IPSAS 12. In that the potential day 2 movement is inherent in the requirement to measure inventories at the lower of two values, as opposed to arising because, for example, agricultural produce is measured at the lower of cost and COV.
10. Inventories are measured at the lower of cost and another appropriate measurement, such as CRC, because the costs of inventories may not be recoverable, for example when the estimated cost to be incurred to make the distribution has increased. The practice of writing inventories down below cost, in this case to CRC, is consistent with the view that assets are not to be carried in excess of the future economic benefits or service potential expected to be realized from their distribution, or use.

Outside of the project scope

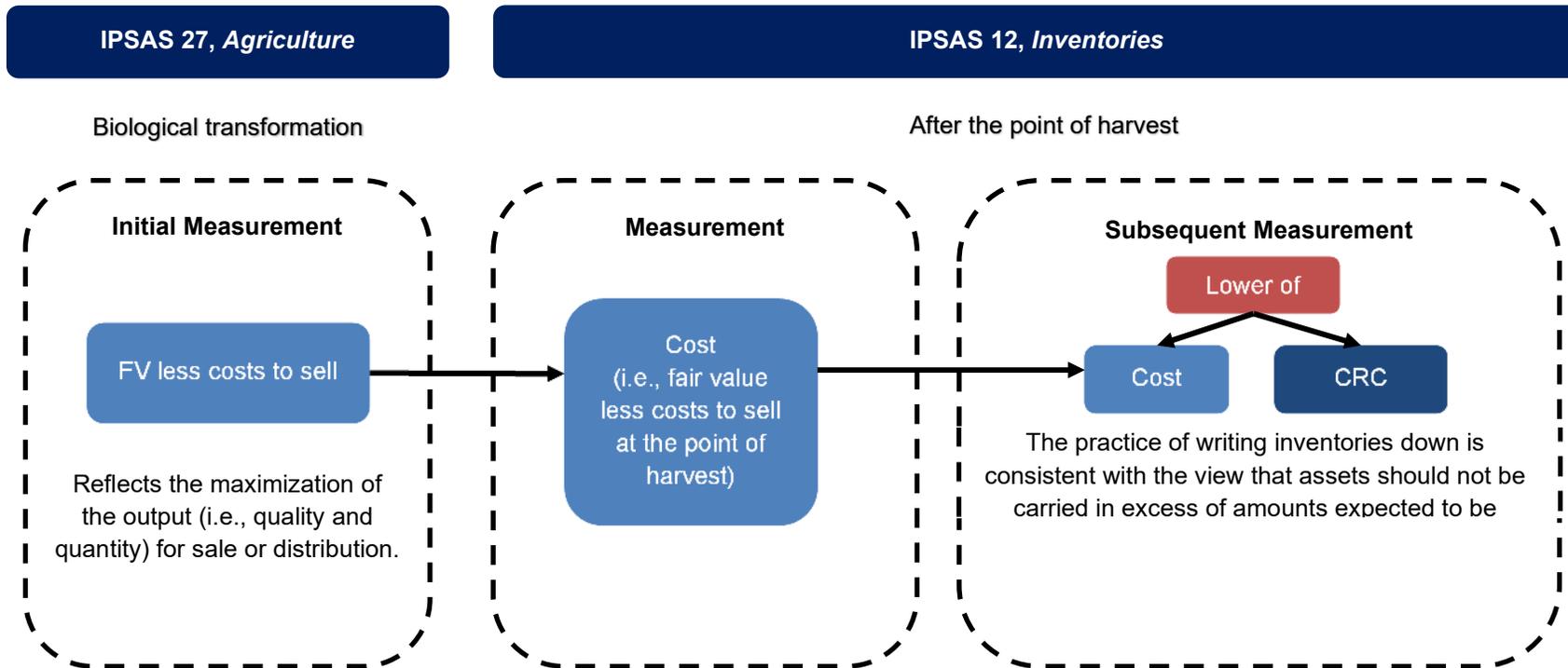
11. Because the proposed accounting is consistent with the existing accounting in IPSAS 12, analysis outside of replacing CRC with COV is beyond the scope of the project. The scope of the Measurement Application Phase project is to evaluate the applicability of COV as an initial and subsequent measurement basis more broadly across IPSAS. The scope of the evaluation in IPSAS 12 was whether COV should replace net realizable value (NRV) or CRC when measuring inventories at the 'lower of cost and NRV' or the 'lower of cost and CRC'. The evaluation of the principle to write down inventories and the cost of inventories comprising agricultural produce that an entity has harvested from its biological assets, which are aligned with IAS 2, Inventories, are not in the scope of the project.
12. It is the view of the Task Force and staff that the analysis in this agenda item does not present information that leads them to recommend the IPSASB change their decision on [Agenda Item 4.2.2 \(December 2023\)](#) to replace CRC with COV for the measurement of inventories at the lower of cost and COV in IPSAS 12.17.

Decision Required

13. Does the IPSASB agree with the Staff [recommendation](#)?

Appendix A – Illustration of Measurement Requirements for Inventories Comprising Agricultural Produce that an Entity has Harvested from its Biological Assets

1. Illustration of measurement requirements for inventories comprising agricultural produce that an entity has harvested from its biological assets.



Appendix B – Comparison between Current Operational Value and Fair Value

1. Conceptually fair value (FV) and current operational value (COV) are expected to lead to different values, IPSAS 46.25 notes how COV differs from FV:
 - (a) COV is an entry price, thus includes the costs that would be incurred in obtaining the asset, while FV does not include transaction costs.
 - (b) COV reflects the value of an asset in its existing use rather than in its highest and best use, which is one of the principles of FV; and
 - (c) COV is an entity-specific measure reflecting the economic, legal, and other constraints that affect the possible use of an asset, while FV is a non-entity specific measure reflecting the general market opportunities and risks.
2. From a practical perspective, it is possible for FV to approximate COV, for example, when the existing use of an asset is the only potential use for the asset, meaning the 'existing use' and the 'highest and best use' are the same.

‘Least Costly Manner’ – Current Operational Value

Question

1. Does the IPSASB agree with clarifying the application of ‘least costly manner’ when measuring current operational value (COV)?

Recommendation

2. The Task Force and staff propose amendments to clarify the application of the principle ‘least costly manner’ when measuring COV, see [Appendix A](#) for the proposed amendments.

Background

3. In the December 2023 meeting, IPSASB members identified two challenges in the interpretation of the ‘least costly manner’ principle when measuring COV:
 - (a) Differing interpretations on whether the ‘least costly manner’ was a COV principle to be applied at the measurement technique or measurement basis level; and
 - (b) Uncertainty whether the least costly amount means a concession available to acquire an asset should be considered in the determination of COV at subsequent measurement.
4. The IPSASB instructed staff to clarify the application of the ‘least costly manner’ principle for the determination of an asset’s COV:
 - (a) At the measurement basis level; and
 - (b) Whether concessionary elements should be included when determining the least costly amount.

Analysis

Is ‘least costly manner’ applicable at the measurement basis level or measurement technique?

5. Measurement techniques are applied to estimate the amount at which an asset is recognized under the selected measurement basis⁶. IPSAS 46 notes that a measurement technique must reflect the principles applicable to the measurement basis.
6. Appendix B of IPSAS 46 divides the definition of current operational value into parts and explains that to measure the COV of an asset an entity must determine the following:
 - (a) The amount the entity would pay;
 - (b) The remaining service potential of the asset;
 - (c) The asset (consistent with its unit of account); and
 - (d) The appropriate measurement technique to estimate COV.
7. The ‘least costly manner’ is a principle discussed under ‘the amount the entity would pay’, as such is applicable at the measurement basis level as opposed to the measurement technique. Therefore, an

⁶ An entity estimates current operational value using a measurement technique when a price for the asset in an active market is not observable [IPSAS 46.24].

entity will need to consider this principle when estimating the COV of an asset, when applying the market approach and the cost approach.

8. 'Least costly manner' is a core principle of COV and given the diverse interpretations raised in the December 2023 IPSASB meeting, the Task Force and staff recommend adding further guidance to IPSAS 46 to ensure consistent application of COV across the suite of IPSASs.
9. The Task Force and staff recommend amending IPSAS 46.23 (this is core guidance and the first time COV is explained to the reader). Specifically, the amendment proposed in Appendix A adds clarity that the 'least costly manner' principle, like other measurement principles, of COV should be reflected in the COV of the asset whether the measurement technique applied is the market approach or the cost approach.

Are concessionary elements included in the determination of current operational value?

10. The question raised was whether the 'least costly manner' principle in COV meant that concessionary elements should be included in the determination of COV at the subsequent measurement of assets. For example, if an entity always receives a concession when leasing an asset, should such concession be considered in the determination of COV at subsequent measurement for the right-of-use asset, because it is the least costly amount the entity would pay to lease such an asset?
11. IPSAS 46 already includes guidance as it relates to concessionary elements⁷. The guidance states that transaction prices that have a concessionary element are considered transactions not undertaken in an orderly market and the initial value of the asset is its deemed cost. Applying deemed cost is required because a transaction price that has a concessionary element does not faithfully present relevant measurement information about the asset to users.
12. COV is one of the measurement bases required to determine deemed cost because it provides information that achieves the qualitative characteristics⁸, as described in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities ('CF'), such as faithfully presenting relevant valuation information about the asset to users.
13. Therefore, the least costly amount an entity would pay for the remaining service potential of an asset should not include concessionary elements received by an entity when determining the current operational value of an asset, as such information would not achieve the qualitative characteristics described in the CF.
14. To ensure COV is applied consistently, staff recommend amending IPSAS 46.B9 and adding implementation guidance D7 to clarify COV measures the value of the asset acquired, developed, or produced in the least costly manner in an orderly transaction (see [Appendix A](#) for the proposed amendments). This clarification of the guidance will ensure the following elements are not included in the determination of COV:
 - (a) Concessionary elements;
 - (b) Transfers free of charge; and

⁷ Specifically, IPSAS 46.12 discusses that a transaction price that has a concessionary element does not may faithfully present relevant information. Further to IPSAS 46, *Measurement*, IPSAS 41, *Financial Instruments* AG122 explains that a concessionary element incorporates a non-exchange component into the transaction, such as a transfer of a resource.

⁸ Relevance, faithful representation, understandability, timeliness, comparability, and verifiability.

- (c) Prices that are affected by relationships between the parties, or by financial distress or other duress of one of the parties.

Decision Required

- 15. Does the IPSASB agree with the Staff [recommendation](#)?

Appendix A – Relevant Excerpts of Amendments Proposed to IPSAS 46, *Measurement*

1. These are the amendments proposed to ensure consistent application of the ‘least costly manner’ core principle in the determination of COV:

Measurement

...

Subsequent Measurement

...

Measurement Bases

...

Current Operational Value

23. Current operational value is an entry, entity-specific amount that the entity would pay for the remaining service potential of an asset in the least costly manner at the measurement date. Current operational value provides monetary information about assets, and related amortization, depreciation, etc., using information updated to reflect conditions at the measurement date. Current operational value therefore reflects changes in the values of assets since the previous measurement date. Similar to fair value and cost of fulfillment, current operational value is not dependent, even in part, on the transaction or event that gave rise to the asset.

...

Appendix B

Current Operational Value

...

Measurement

...

The Amount an Entity would Pay

...

The Least Costly Manner

- B9. A current operational value measure assumes the amount an entity would pay for the remaining service potential of an asset at the measurement date is the least costly amount for the asset in an orderly transaction (see paragraph 12).

...

Implementation Guidance

...

Section D: Current Operational Value

...

D7. Does the least costly amount an entity would pay for the remaining service potential of an asset include concessionary elements received by an entity when determining the current operational value of an asset?

No. Current operational value measures the amount the entity would pay for the remaining service potential of the asset in an orderly transaction. The inclusion of a concessionary element when

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determining current operational value will incorporate a non-exchange element into the value and would not faithfully present relevant information to users of general purpose financial statements. For example, an entity that at subsequent measurement is determining the current value of a donated asset (i.e., building), initially recognized at deemed cost, will determine the current value of the asset using current operational value or fair value, which excludes the concessionary element from its measurement.

IPSAS 31, *Intangible Assets* - Applicability of Current Operational Value

Question

1. Does the IPSASB agree with the recommendation that current operational value (COV) is an applicable measurement base for intangible assets in the scope of IPSAS 31, Intangible Assets (See [Supporting Document 9.3.1](#) for proposed amendments to IPSAS 31)?

Recommendation

2. The Task Force and staff recommend COV is an applicable current value measurement base for intangible assets:
 - (a) At initial measurement acquired in a non-exchange transaction; and
 - (b) At subsequent measurement when held for their operational capacity, and an entity chooses the current value model as its accounting policy choice.

Background

3. In March 2023, the IPSASB decided that IPSAS 31 was in the scope of the Measurement Application Phase because the standard permitted subsequent measurement of assets at current values.

Analysis

Relevant Guidance in IPSAS 31

4. An intangible asset is an identifiable non-monetary asset without physical substance. For example, computer software, patents, copyrights, motion picture films, lists of users of a service, acquired fishing licenses, acquired import quotas, and relationships with users of a service.
5. Initial and subsequent measurement of intangible assets:
 - (a) **Initial Measurement.** An intangible asset shall be measured initially at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is its fair value (FV) as at that date.
 - (b) **Subsequent Measurement.** An entity shall choose the historical cost model or the current value model as its accounting policy after the initial recognition of an intangible asset.

Conceptual Applicability of COV

6. The scope of the Measurement Application Phase project evaluates the applicability of COV across IPSAS. COV was developed to address constituents' concerns that FV is inappropriate to apply to assets held for their operational capacity, primarily because it derives a value based on the 'highest and best use' of an asset instead of its 'existing use'.
7. The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities ('CF') notes that the objective of measurement is to select a measurement basis that most fairly reflects the costs of services, operational capacity, and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes. Therefore, the current value measurement basis selected for an intangible asset should reflect the intended use or the entity's reasons for holding the intangible asset.

8. Intangible assets in the scope of IPSAS 31 can be held by the entity for:
- (a) **Operational capacity.** Intangible assets that support the provision of services in future periods. For example, a new system to schedule court cases more effectively that will result in increased service delivery.
 - (b) **Financial capacity.** Intangible assets that provide an entity with the means to fund its activities or reduce costs. For example, an online system that allows citizens to renew driving licenses more quickly online, resulting in a reduction in office staff (i.e., cost savings) required to perform this function while increasing the speed of processing.
9. Accordingly, to present useful information for holding the entity to account and for decision-making purposes intangible assets held for their operational capacity should be measured at COV, while intangible assets held for their financial capacity should be measured at FV.

Practical Applicability of COV

Subsequent Measurement Analysis

10. Does the measurement issue for tangible assets apply to intangible assets?

- (a) COV was developed for tangible assets because a tangible asset's 'existing use' may differ from its 'highest and best use' (for example, an entity can use a building located in a metropolitan center as a school instead of an office rental space, which may be its 'highest and best'). Tangible and intangible assets can be used for the same purpose, even though one is of physical substance and the other is without physical substance⁹. For example, a patent over a formula for a vaccine is used:
 - (i) **Existing use.** To provide free vaccinations for a country's population; or
 - (ii) **Highest and best use.** To manufacture vaccines for the generation of profits.
- (b) The FV of a vaccine patent can be expected to differ from its COV because:
 - (i) **Fair value**, which measures the highest and best use of an asset, is an exit price, it estimates the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. An entity could determine FV to be the present value of the expected future cash inflows generated from the sale of vaccines, as a potential price to sell its vaccine patent to a market participant.
 - (ii) **Current operational value**, which measures the existing use of an asset, reflects the amount an entity would pay for the remaining service potential of the vaccine patent at the measurement date. An entity could determine COV to be the cost to develop or produce the vaccine and protect it with a patent.
- (c) Therefore, the measurement problem that drove the development of COV for tangible assets can be expected to apply to intangible assets because the 'existing use' of an intangible may differ from its 'highest and best use'.

⁹ IPSAS 45, *Property, Plant, and Equipment* paragraph 13 defines property, plant, and equipment as tangible items that:

- (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) Are expected to be used during more than one reporting period.

11. **Consistency between current value models across IPSASs:**
- (a) The current value model also exists in IPSAS 16, Investment Properties, and IPSAS 45, Property, Plant, and Equipment, where the selection of current value measurement bases depends on the entity's intended use or the entity's reasons for holding the asset. The primary difference between these two IPSAS and IPSAS 31 is the substance of the asset (i.e., physical substance or without physical substance).
 - (b) It is the view of the Task Force and staff that the substance of an asset on its own should not change the measurement methodology applied to determine the current value of an asset, as such the current value model in IPSAS 16, IPSAS 45, and IPSAs 31 should have consistent principles in the measurement of assets at current values.
12. The Task Force and staff evaluated whether practical considerations, such as complexity added by requiring an entity to determine the intended use or the entity's reasons for holding the asset, may outweigh the conceptual benefits when FV approximates COV, for example when the 'existing use' and the 'highest and best use' of the intangible asset are the same.
13. The **CAG's advice received** about the above consideration discussed at the [December 2023 on Agenda Item 6.1](#) was that practical considerations should not outweigh the conceptual applicability of COV as per the CF, noting that what matters is how the amount is derived as opposed to whether COV approximates FV.
14. The Task Force and staff consider that the introduction of COV to intangible assets will address the measurement challenge that exists when measuring intangible assets held for their operational capacity and recommend measuring intangible assets held for their operational capacity at COV, while intangible assets held for their financial capacity at FV when an entity chooses the current value model in IPSAS 31.

Initial Measurement Analysis

15. As noted in paragraph 5(a), IPSAS 31 requires measurement at FV for intangible assets acquired in a non-exchange transaction at initial recognition. This requirement is appropriate for intangible assets held for their financial capacity, as discussed in paragraph 9 however, considering the recommendation in paragraph 14, the Task Force and staff recommend measurement at COV be extended to initial measurement of intangible assets acquired in a non-exchange transaction.
16. This recommendation is consistent with the IPSASB decision for items of property, plant, and equipment (December 2022) and inventories (December 2023) held for their operational capacity to be initially measured at COV when acquired in a non-exchange transaction.

Decision Required

17. Does the IPSASB agree with the Staff [recommendation](#)?

Current Value Measurement Disclosures – Proposed Amendments

Question

1. Does the IPSASB agree to amend current value measurement disclosures for consistency of terminology across relevant IPSAS and the level of disclosure required in IPSAS 12, *Inventories*?

Recommendation

2. Staff recommend the IPSASB to:
 - (a) Enhance the consistency of current value measurement disclosures ('disclosures') terminology across IPSAS, as recommended in paragraph 13(a); and
 - (b) Add non-recurring current operational value measurement disclosures in IPSAS 13(b).See [Supporting Document 9.3.1](#) for the proposed amendments in Part 3 of (draft) ED [XX].

Background

3. In February 2021, as part of the Measurement project, the IPSASB decided to apply a consistent set of principles-based disclosures across IPSAS, which apply to current value measurements after initial recognition¹⁰.
4. In March 2023, the IPSASB:
 - (a) Requested staff to review the consistency in the terminology used across current value measurement disclosures added by IPSAS 46, *Measurement* consequential amendments across relevant IPSAS.
 - (b) Decided that IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs* was not in the scope of the Measurement Application Phase, as there was a committed project on IPSAS 33 with a broader scope than the evaluation of the applicability of current operational value.
5. An IPSASB member highlighted that there were inconsistencies in terminology across disclosures. Certain IPSAS include the term 'recurring or non-recurring' current value measurement, while other IPSAS disclosures were silent to the level of disclosure required by the IPSAS, such as IPSAS 45, *Property, Plant, and Equipment* which requires recurring current value measurement but does not include the term 'recurring'.

Analysis

6. IPSAS 46 added current value measurement disclosures through consequential amendments to:
 - (a) IPSAS 12, *Inventories*;
 - (b) IPSAS 31, *Intangible Assets*;
 - (c) IPSAS 16, *Investment Properties*;
 - (d) IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*¹¹

¹⁰ Detailed on the analysis can be found here [February 2021 -Agenda item 3.2.4](#)

¹¹ This paper does not analyze current value measurement disclosures added to IPSAS 33 by IPSAS 46 because IPSAS 33 has an ongoing project and staff from this project will discuss amendments, if any are proposed, during the June 2024 IPSASB meeting.

- (e) IPSAS 27, *Agriculture*;
 - (f) IPSAS 34, *Separate Financial Statements*; and
 - (g) IPSAS 30, *Financial Instruments: Disclosures*;
 - (h) IPSAS 38, *Disclosure of Interest in Other Entities*;
7. Disclosures in relevant IPSAS are based on a consistent set of principles, primarily drawn from IFRS 13, *Fair Value Measurement*. The IPSASB decided that the disclosures should be located in the relevant IPSAS as opposed to being centralized in IPSAS 46.
8. The extent of disclosures required varies depending on whether the IPSAS requires a recurring or non-recurring current value measurement after initial recognition. Non-recurring current value measurements are a subset of the recurring current value measurement disclosures.
9. IPSAS that require a:
- (a) **Recurring current value measurements** are those that require a current value measurement at the end of each reporting period end; and
 - (b) **Non-recurring current value measurements** are those that require a current value measurement when a period specific event arises that requires the measurement of the asset at current values.
10. Staff noted that disclosures added by IPSAS 46 to other IPSAS¹², such as IPSAS 16 include the term 'recurring or non-recurring', for example:
- (a) IPSAS 16.89A(a) reads 'For investment properties that are measured at fair value **on a recurring or non-recurring basis** in the statement of financial position after initial recognition, the measurement techniques and inputs used to develop those measurements'; while
 - (b) IPSAS 45.79(a) reads 'For property, plant, and equipment that are measured at current operational value or fair value in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements'.
11. It is the view of staff, that because the disclosures were added to the relevant IPSAS, instead of being centralized in IPSAS 46, the term 'recurring or non-recurring' is not necessary. Having this term can lead to confusion when an IPSAS only requires recurring current value measurement of assets, as it is the case for assets in the scope of IPSAS 16. This IPSAS requires recurring current value measurement when an entity chooses fair value in the current value model as its accounting policy choice at subsequent measurement.

¹² Please see Appendix A for a list of IPSAS that IPSAS 46, *Measurement* added current value measurement disclosures through consequential amendments. The current value measurement disclosures in IPSAS 44, *Non-Current Assets Held for Sale and Discontinued Operations* and IPSAS 45, *Property, Plant, and Equipment* were tailored to the level of current value measurement per IPSAS 44 and IPSAS 45 projects, meaning are silent on 'recurring or non-recurring'.

12. Staff reassessed the level of disclosure required by the relevant IPSAS, to which IPSAS 46 added disclosures (see Appendix A for the detailed analysis), and noted that the only IPSAS² that requires both recurring and non-recurring current value measurements is IPSAS 12:
- (a) **Recurring.** When inventories of commodity broker-traders are measured at fair value less cost to sell at the end of each reporting period end¹³; and
 - (b) **Non-recurring.** When an entity subsequently measures inventories at current operational value because the inventories current operational value is lower than its cost¹⁴.
13. As a result, staff recommend:
- (a) Removing the term 'recurring or non-recurring' from the current value measurement disclosures, in IPSAS that only require recurring current values measurement:
 - (i) IPSAS 16, *Investment Properties*;
 - (ii) IPSAS 27, *Agriculture*;
 - (iii) IPSAS 30, *Financial Instruments: Disclosures*;
 - (iv) IPSAS 31, *Intangible Assets*;
 - (v) IPSAS 34, *Separate Financial Statements*; and
 - (vi) IPSAS 38, *Disclosure of Interest in Other Entities*.
 - (b) Adding non-recurring COV measurement disclosures in IPSAS 12 considering the December 2023 IPSASB decision and limiting recurring current value measurement disclosures to FV.

Decision Required

14. Does the IPSASB agree with the Staff [recommendation](#)?

¹³ IPSAS 12.3(b) and IPSAS 12.8

¹⁴ This reflects IPSASB's decision on Agenda Item 4.2.2 in December 2023

Appendix A – Analysis of Current Value Measurement Disclosures in Relevant IPSASs

Purpose

1. This appendix outlines the current value measurement disclosure ('disclosures') requirements and analyzes the consistency in which such disclosures should be added across relevant IPSASs.

Summary of the Recommended Level of Current Value Measurement Disclosures on IPSAS amended by IPSAS 46, Measurement

IPSAS	Current Value Measurement Disclosures
IPSAS 12, <i>Inventories</i>	Recurring FV and non-recurring COV
IPSAS 16, <i>Investment Properties</i>	Recurring FV
IPSAS 27, <i>Agriculture</i>	Recurring FV
IPSAS 30, <i>Financial Instruments: Disclosures</i>	Recurring FV
IPSAS 31, <i>Intangible Assets</i>	Recurring FV/COV
IPSAS 33, <i>First-Time Adoption of Accrual Basis IPSASs</i>	Out of scope of the Measurement Application Phase, see paragraph 4(b) in Agenda Item 9.2.4
IPSAS 34, <i>Separate Financial Statements</i>	Recurring FV
IPSAS 38, <i>Disclosure of Interest in Other Entities</i>	Recurring FV

Analysis

2. The disclosures added across relevant IPSAS are primarily drawn from IFRS 13, Fair Value Measurement. The IPSASB decided disclosure requirements should be included in the IPSAS to which the measurement is related. The level of disclosure, meaning the extensiveness of requirements, depends on whether the current value measurement is recurring (greater number of disclosures) or non-recurring (a subset of recurring disclosures) after initial recognition:
 - (a) **Recurring Current Values.** It is when current value measurement is required at the end of each reporting period end. For example, when an entity chooses the current value model as its accounting policy choice in accordance with IPSAS 45, *Property, Plant, and Equipment*.

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- (b) **Non-recurring Current Values.** It is when a period specific event arises requiring the current value measurement. For example, when an entity measures a non-current asset held for sale at fair value less costs to distribute in accordance with IPSAS 44, *Non-Current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to distribute is lower than its carrying amount.
3. To ensure consistency in terminology, application, and the level of disclosure across IPSASs, staff has reconsidered the guidance in paragraph 2, in the table below. For completeness purposes, staff has analyzed all IPSASs to which IPSAS 46, Measurement added disclosures, and IPSAS in the scope of the Measurement Application Phase project:

IPSAS	Recurring	Non-recurring	Notes
IPSAS 12, <i>Inventories</i> ¹⁵	Yes, see 4(a)	Yes, see 5(a)	CVMD ¹⁶ should include recurring FV and non-recurring COV
IPSAS 16, <i>Investment Properties</i>	Yes, FV see 4(b)	No, see 7	CVMD should include recurring FV
IPSAS 21, <i>Impairment of Non Cash-Generating Assets</i>	-	No, see 6	-
IPSAS 27, <i>Agriculture</i>	Yes, see 4(c)	No, see 7	CVMD should include recurring FV
IPSAS 26, <i>Impairment of Cash-Generating Assets</i>	-	No, see 6	-
IPSAS 30, <i>Financial Instruments: Disclosures</i>	Yes, see 4(g)	- ¹⁷	CVMD should include recurring FV
IPSAS 31, <i>Intangible Assets</i>	Yes, see 4(d)	No, see 7	CVMD should include recurring FV
IPSAS 32, <i>Concessionary Service Arrangements: Grantor</i>	No, CVMD are required when an asset is measured at current values after initial recognition. ¹⁸		
IPSAS 33, <i>First-Time Adoption of Accrual Basis IPSASs</i>	Out of scope of the Measurement Application Phase, see paragraph 4(b) in Agenda Item 9.2.4		
IPSAS 34, <i>Separate Financial Statements</i>	Yes, see 4(e)	-	CVMD should include recurring FV

¹⁵ This recommendation considers the decision by the IPSASB in December 2023 on the applicability of current operational value for certain inventories in the scope of IPSAS 12.

¹⁶ CVMD stands for current value measurement disclosures.

¹⁷ Impairment guidance in IPSAS 41 requires the recognition of a loss allowance for the expected credit losses, as opposed to a write-down to current values measurement basis.

¹⁸ Subsequent measurement of service concession assets is in the scope of IPSAS 31, *Intangible Assets* and IPSAS 45, *Property, Plant, and Equipment*.

IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	Yes, see 4(e)	No, see 7	See 4(e)
IPSAS 37, <i>Joint Arrangements</i>	Yes, see 4(f)	No, see 7	See 4(f)
IPSAS 38, <i>Disclosure of Interest in Other Entities</i>	Yes, see 4(e)	-	CVMD should include recurring FV
IPSAS 40, <i>Public Sector Combinations</i>	No, see Agenda Item 9.1.3 paragraph 2		-
IPSAS 41, <i>Financial Instruments</i>	Yes, see 4(g)	No, see 7	See 4(g)
IPSAS 43, <i>Leases</i>	No, CVMD are required when an asset is measured at current values after initial recognition. ¹⁹		
IPSAS 44, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>	-	Yes, see 5(b)	CVMD should include non-recurring FV
IPSAS 45, <i>Property, Plant, and Equipment</i>	Yes, COV and FV see 4(h)	No, see 7	CVMD should include recurring FV/COV

4. Based on the criteria in paragraph 2(a) the following IPSAS include recurring current value measurement at the end of each reporting period end:
- (a) **IPSAS 12.** Inventories of commodity broker-traders are measured at fair value less cost to sell at the end of each reporting period end [IPSAS 12.3(b) and IPSAS 12.8];
 - (b) **IPSAS 16.** When an entity chooses to subsequently measure all of its investment property at fair value under the current value model [IPSAS 16.42];
 - (c) **IPSAS 27.** Assets in the scope of IPSAS 27 are measured at initial and subsequent measurement at fair value less cost to sell [IPSAS 27.16 17];
 - (d) **IPSAS 31.** When an entity chooses the current value model at subsequent measurement as its accounting policy [IPSAS 31.71].

¹⁹ Right-of-use assets are subsequently measured at current values:

- (a) if right-of-use assets relate to a class of property, plant, and equipment to which the lessee applies the current value model in IPSAS 45, *Property, Plant, and Equipment* and elects to apply that current value model to all of the right-of-use assets that relate to that class of property, plant and equipment.
- (b) if the right-of-use assets meet the definition of investment property in IPSAS 16, *Investment Properties* and the lessee applies the fair value measurement basis in the current value model in IPSAS 16

- (e) **IPSAS 36.** When an investment in an associate or a joint venture is held by or is held indirectly through, an entity ²⁰ that elects to measure the investments at fair value through surplus or deficit in accordance with IPSAS 41 [IPSAS 36.24]. Disclosure requirements to be applied, as appropriate, are included in the relevant disclosure IPSAS (IPSAS 34 and IPSAS 38).
 - (f) **IPSAS 37.** A party that participates in, but does not have joint control of, a joint venture shall account for its interest in the arrangement in accordance with the IPSASs dealing with financial instruments. Disclosure requirements to be applied, as appropriate, are included in IPSAS 30.
 - (g) **IPSAS 41.** When financial instruments are measured at fair value through net assets/equity or fair value through surplus or deficit [IPSAS 41.45(a), 41.46, and 41.61(b) and (c)]. Disclosure requirements to be applied, as appropriate, are included in IPSAS 30.
 - (h) **IPSAS 45.** When an entity chooses the current value model as its accounting policy choice for a class of property, plant and equipment [IPSAS 45.27].
5. Based on the criteria in paragraph 2(b) the following IPSAS include a period specific event that arises that requires the measurement of assets at non-recurring current value:
- (a) **IPSAS 12.** When an entity subsequently measures inventories at current operational value because the inventories' current operational value is lower than its cost [proposed amendment IPSAS 12.17].
 - (b) **IPSAS 44.** When an entity measures a non-current asset held for sale at fair value less costs to distribute because the asset's fair value less costs to distribute is lower than its carrying amount.
6. The write down to recoverable service amount or recoverable amount in accordance with IPSAS 21 and IPSAS 26, respectively, can be considered a non-recurring current value measurement because is a period specific event that arises that requires the measurement of assets at current values. However, in alignment with the approach taken by the IASB, current value measurement disclosures were not added by IPSAS 46 to IPSAS 21 or IPSAS 26 because such standards require specific disclosures to impaired assets. Furthermore, adding current value measurement disclosures to IPSAS 21 and IPSAS 26 will make these standards more onerous than the IASB's impairment standard, IAS 36, Impairment of Assets.
7. Staff did not identify other period specific events that could arise that will require the measurement of assets at current values, in addition to those in paragraphs 5 and 6.

²⁰ An entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Other Instructions – December 2023 IPSASB Meeting

Question

1. Does the IPSASB agree that staff has addressed the December 2023 IPSASB's instructions?

Recommendation

2. Staff recommend that December 2023 IPSASB's instructions were actioned accordingly, see paragraph 7, 8, and 9.

Background

3. In December 2023 the IPSASB instructed staff to:
 - (a) Consider redrafting of proposed IPSAS 12.17(c) or merging it with 12.17(a) and (b) for clarity;
 - (b) Revise the illustrative examples on the application of current value measurement bases in impairment:
 - (i) Consider the unit of account;
 - (ii) Provide an example of the market approach to estimate current operational value; and
 - (iii) Reduce the number of monetary units in the examples.
 - (c) Communicate the impact of the revised approach on entities that have adopted the current value model for measurement after initial recognition.

Analysis

IPSAS 12, Inventories Redrafting of proposed paragraph 17(c)

4. Proposed amendments to IPSAS 12.17 in [Agenda Item 4.2.3 in December 2023](#) noted that inventories shall be measured at the lower of cost and current operational value where they are held for:
 - (a) Distribution at no charge (a transfer expense) or for a nominal charge;
 - (b) Consumption in the production process of goods to be distributed at no charge (a transfer expense) or for a nominal charge; or
 - (c) Distribution or consumption in the rendering of services at no charge or for a nominal charge.
5. In December 2023, IPSASB members had diverse views on whether the proposed IPSAS12.17(c) should be:
 - (a) **Deleted** because paragraph 17(a) was inclusive of materials or supplies to be consumed or distributed in the rendering of services at no charge or for a nominal charge, and therefore, the proposed addition of 17(c) was unnecessary; or
 - (b) **Merged with 12.17(a) and (b)** and distribution in the rendering of services at no charge or for a nominal charge to be captured in 12.17(a) while consumption in the rendering of services at no charge or for a nominal charge to be captured in 12.17(c).

6. Staff noted that:
 - (a) **Deletion of proposed IPSAS 12.17(c).** While distributed materials or supplies in the rendering of services at no charge or for a nominal fee are included in paragraph 17(a), this is not the case for materials or supplies consumed in the rendering of services. Therefore, rather than deleting the proposed IPSAS 12.17(c), it should be redrafted as the addition brings clarity to the guidance.
 - (b) **Merge proposed IPSAS 12.17(c) with 12.17(a) and (b).** As discussed in paragraph 6(a) distribution of materials or supplies in the rendering services at no charge or for a nominal fee is included in paragraph 17(a). Adding a redrafted IPSAS 12.17(c) rather than merging the proposed IPSAS 12.17(c) with IPSAS 12.17(b) will bring clarity.
7. Staff recommend the redrafting of 17(c) to “Consumption of materials or supplies in the rendering of services at no charge (a transfer expense) or for a nominal charge.”

December 2023 – IPSAB instructions on IPSAS 21 Limited Scope Update

8. Staff has actioned the December 2023 instructions to revise the illustrative examples as follows:
 - (a) **Unit of Account.** Paragraph IE25 of Illustrative Example (b) includes a reference to unit of account in explaining why an asset—in this case, an office building—is considered as a single unit of account rather than multiple units of account.
 - (b) **Market Approach.** Illustrative example indication of impairment(f) includes a reference to the market approach—a smaller printer with the current output of an impaired larger printer.
 - (c) **Monetary Units.** The number of monetary units in the examples has been reduced.
9. Paragraphs BC48 and BC50 have been added to the Basis for Conclusions in IPSAS 21 explaining that the main implication of the adoption of current operational value as branch of recoverable service amount for entities on the current value model for subsequent measurement is that they may have to bring forward revaluations where there is an indication that an asset might be impaired.

Decision Required

10. Does the IPSASB agree with the Staff [recommendation](#)?

Exposure Draft - Development

Question

1. Does the IPSASB agree with the recommendation in paragraph 2?

Recommendation

2. Staff recommend the IPSASB to:
 - (a) Title the (draft) Exposure Draft (ED) [XX], *Application of IPSAS 46, Measurement (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46)*;
 - (b) Break down the (draft) ED [XX] amendments into four parts:
 - (i) Part 1 – Applicability of Current Operational Value in IPSAS;
 - (ii) Part 2 – Limited Scope Update of IPSAS 21, Impairment Non-Cash Generating Assets;
 - (iii) Part 3 – Definition of Accounting Estimates (IAS 8); and
 - (iv) Part 4 – Improvements to Current Value Measurement Disclosures.

Background

3. In March 2023, the IPSASB decided the scope of the Measurement Application Phase project will include:
 - (a) The evaluation of the applicability of COV at subsequent measurement, including the relevance and potential application in relation to deemed cost at initial measurement;
 - (b) The evaluation of the inconsistency between guidance in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, and IPSAS 45, *Property, Plant, and Equipment* on how to account for a change in measurement basis; and
 - (c) The enhancement of the terminology across current value measurement disclosures added by IPSAS 46 to certain IPSASs.
4. In June 2023, the IPSASB decided that the scope of the update to IPSAS 21, *Impairment Non-Cash Generating Assets* was limited to the definition, and branches, of, recoverable service amount — specifically whether current operational value should be directly or indirectly adopted as a branch of recoverable service amount and whether fair value less costs to sell should be retained as a branch of recoverable service amount.
5. In September 2023, the IPSASB decided to expand the scope of the Measurement Application Phase project to include the update of IPSAS 3 with the definition of accounting estimate and the consistent use of the term ‘measurement techniques’ introduced in IPSAS 46 throughout IPSAS.

Analysis

Title

6. Staff recommend the title of (draft) ED [XX] to be *Application of IPSAS 46, Measurement (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46)* because the majority of amendments relate to the applicability of current value measurements in the scope of IPSAS 46, such as the applicability of COV in IPSAS 31.

7. For clarity purposes, staff recommend the IPSAB include in the title the primary IPSAS amended as a result of (draft) ED XX, which are:
- (a) **IPSAS 3.** The introduction of current operational value as a second current value measurement basis in IPSAS 45 created an inconsistency with guidance in IPSAS 3 on how to account for a change in measurement basis and addition of a definition of accounting estimate (IAS 8);
 - (b) **IPSAS 12 and IPSAS 31.** The IPSASB decision to replace 'current replacement cost' with 'current operational value' in the measurement of inventories held for their operational capacity (IPSAS 12) and proposed recommendation to add COV as a subsequent measurement for intangible assets held for their operational capacity in the current value model (IPSAS 31);
 - (c) **IPSAS 21.** The limited scope update proposes revisions to the determination of recoverable service amount and deletion of restoration cost and service units approaches; and
 - (d) **IPSAS 46.** As a result of the revisions proposed to clarify the 'least costly manner' a COV principles, and its Basis for Conclusions discussed the overall scope of the Measurement Application Phase project.

Format

8. Staff considered whether the ED should follow the format of a new pronouncement or improvements to IPSAS, which only includes paragraphs revised by the project. Staff recommends for (draft) ED [XX] to follow the format of *Improvements to IPSAS* because the scope of the changes are consistent with consequential amendments to IPSAS.
9. To provide clarity to the reader Staff recommends splitting (draft) ED [XX] into four parts as follows:
- (a) Amendments: Part 1 – Applicability of COV. It will include revisions to IPSAS 3 (see paragraph 7(a)), IPSAS 12, Inventories, IPSAS 31, Intangible Assets, and IPSAS 46 (see paragraphs 7(b)-7(d));
 - (b) Amendments: Part 2 – Limited Scope Update of IPSAS 21. It will include revisions to IPSAS 21 updating the definition and branches of recoverable service amount;
 - (c) Amendments: Part 3 – Definition of Accounting Estimates (IAS 8). It will include the amendment to IPSAS 3 introducing a definition of accounting estimate to distinguish changes in accounting estimates from changes in accounting policies²¹ (see [Agenda Item 8.2.8 – September 2023](#)) and amendments to IPSAS for the consistent use of the term 'measurement techniques' introduced by IPSAS 46; and
 - (d) Amendments: Part 4 – Improvements to Current Value Measurement Disclosures. It will include IPSAS where the revisions to current value measurement disclosures are limited to the deletion of the term 'recurring or non-recurring' (see paragraph 13(a) in [Agenda Item 9.2.4](#)).

²¹ Definition of Accounting Estimates (Amendments to IAS 8) also added implementation guidance on applying the definition of accounting estimates to fair value of cash-settled share-based payment transactions. Staff did not include this implementation guidance in (draft) ED XX because there is no equivalent IPSAS for IFRS 2, *Share-based Payment*.

Content

Basis for Conclusions

10. Staff drafted basis for conclusions to explain the IPSASB's rationale for revising specific IPSAS. Where the IPSASB decision was that existing measurement guidance presents relevant information for users in holding the entity to account, and for decision-making purposes, no basis for conclusions are proposed, as the existing guidance in IPSAS was not revised as a result of the development of (draft) ED [XX].

Specific Matter for Comments

11. The IPSASB decided in [September 2023](#) that (draft) ED [XX] should include a specific matter for comment (SMC) on whether the income approach is a necessary measurement technique when estimating the COV of a right-of-use asset.
12. Staff will bring an agenda item discussing SMCs in (draft) ED [XX] at the next IPSASB Meeting.

Decision Required

13. Does the IPSASB agree with the Staff [recommendation](#)?

Supporting Documents 1 - (draft) Exposure Draft [XX], *Application of IPSAS 46, Measurement (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46)*

1. (draft) ED [XX], *Application of IPSAS 46, Measurement* (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46) referenced in Agenda Item 9.3.1 is posted separately for easier readability.

Review Instructions:

2. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing draft Exposure (draft) [XX]:
 - (a) Draft text is based on IPSASB’s decisions on the Measurement Application Phase; and
 - (b) New text is underlined and deleted text is struck through.
3. The below table summarizes the IPSASB decisions on the applicability of current operational value across relevant IPSAS (Part 1) and IPSAS 21 limited scope update (Part 2).

IPSAS	Description
IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	The IPSASB decided in December 2023 that PSAS 3 shall be amended to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy. Amendments to IPSAS 3 are proposed in Part 1 of (draft) ED [XX].
IPSAS 12, <i>Inventories</i>	The IPSASB decided in December 2023 that COV is an applicable measurement basis for inventories: <ol style="list-style-type: none"> (a) At initial measurement acquired in a non-exchange transaction; (b) At subsequent measurement for inventories held for their operational capacity. Amendments to IPSAS 12 are proposed in Part 1 of (draft) ED [XX].
IPSAS 16, <i>Investment Properties</i>	The IPSASB decided in June 2023 that COV is not an applicable initial or subsequent measurement for investment properties in the scope of IPSAS 16 because these are not held for their operational capacity, as a result, no amendments to IPSAS 16 are proposed.

<p>IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i></p>	<p>The IPSASB decided in December 2023 that</p> <ul style="list-style-type: none"> (a) The two arms of recoverable service amount should be COV and fair value less costs to sell; and (b) The restoration cost and service units approaches should be removed from the updated IPSAS 21. <p>Amendments to IPSAS 21 are proposed in Part 2 of (draft) ED [XX].</p>
<p>IPSAS 26, <i>Impairment of Cash-Generating Assets</i></p>	<p>The IPSASB decided in June 2023 that IPSAS 26 should not be in the scope of (draft) ED [XX] because IPSAS 46 noted that the revised definition of fair value was applicable for IPSAS 26, which was not challenged by constituents when exposed in ED 77, <i>Measurement</i>. As a result, no amendments to IPSAS 26 are proposed.</p>
<p>IPSAS 27, <i>Agriculture</i></p>	<p>The IPSASB decided in June 2023 that COV is not an applicable initial or subsequent measurement for assets in the scope of IPSAS 27 because these are held for their financial capacity. As a result, no amendments to IPSAS 27 are proposed.</p>
<p>IPSAS 31, <i>Intangible Assets</i></p>	<p>The applicability of COV is evaluated in Agenda Item 9.2.3 – IPSAS 31, based on this recommendation amendments to IPSAS 31 are proposed in Part 1 of (draft) ED [XX].</p>
<p>IPSAS 32, <i>Service Concession Arrangements: Grantor</i></p>	<p>The IPSASB decided in September 2023 that COV is an applicable subsequent measurement basis for service concession assets accounted for in accordance with IPSAS 45, <i>Property, Plant and Equipment</i> and IPSAS 31, <i>Intangible Assets</i>.</p> <p>IPSAS 32 cross-references to IPSAS 45 and IPSAS 31 for subsequent measurement of service concession assets, and does not include current value measurement guidance at subsequent measurement. As a result, no amendments to IPSAS 32 are proposed.</p>
<p>IPSAS 36, <i>Investments in Associates and Joint Ventures</i></p>	<p>The IPSASB decided in June 2023 that COV is not an applicable measurement for assets in the scope of IPSAS 36 because it does not reflect the investor’s ability to participate in the financial and operating decisions of the investee. As a result, no amendments to IPSAS 36 are proposed.</p>
<p>IPSAS 37, <i>Joint Arrangements</i></p>	<p>The IPSASB decided that COV applicability shall be kept at the individual IPSAS, which provide guidance for the subsequent measurement of assets. As a result, no amendments to IPSAS 37 are proposed.</p>

IPSAS 40, <i>Public Sector Combinations</i>	The IPSASB decided that COV applicability shall be kept at the individual IPSAS, which provide guidance for the subsequent measurement of assets. As a result, no amendments to IPSAS 40 are proposed.
IPSAS 41, <i>Financial Instruments</i>	The IPSASB decided in June 2023 that COV is not an applicable measurement basis for financial assets because these are held for their financial capacity and COV principles are not applicable to the transactions in scope of IPSAS 41. As a result, no amendments to IPSAS 41 are proposed.
IPSAS 43, <i>Leases</i>	<p>The IPSASB decided in December 2023 that COV is an applicable subsequent measurement basis for right-of-use assets when subsequently measured in accordance with IPSAS 45, <i>Property, Plant, and Equipment</i>.</p> <p>IPSAS 43 cross-references to IPSAS 16 and IPSAS 45 for subsequent measurement of right-of-use assets at current values, and does not include current value measurement guidance at subsequent measurement. Therefore, no amendments to IPSAS 43 are proposed.</p>
IPSAS 46, <i>Measurement</i>	Amendments to IPSAS 46 are proposed based on Agenda Item 9.2.2. – Least Costly Manner

Supporting Documents 2 - CAG’s Advice on the Measurement Application Phase

- Summary of the advice provided by CAG members from the December 2023 CAG Meeting and how the IPSASB staff has responded to the Member comments are included in the table below:

Representatives’ and Observers’ Comments	IPSASB Staff Response
December 2023 CAG Meeting Comments	
<p>IPSASB Director, Dave Warren, introduced the Agenda Item and presented the analysis on the conceptual and practical considerations when assessing the applicability of Current Operational Value (COV) across IPSAS.</p> <p>Mr. Warren asked CAG members to consider the following question:</p> <ul style="list-style-type: none"> What factors the IPSASB should consider when evaluating the applicability of COV across IPSAS, from the broader public interest perspective? 	
The CAG members commented on as follows	
<p>1. Ms. Stachniak advised the IPSASB to prioritize the conceptual applicability of COV over the practical considerations. Put simply, COV should not be traded off with Fair Value (FV) for purely practical reasons.</p>	<p>Mr. Smith highlighted that constituent responses to the Measurement CP urged the IPSASB to only introduce COV if it addresses a measurement problem. He noted that the conceptual thinking on how COV applies to tangible assets is currently included in IPSAS 45, <i>Property, Plant, and Equipment</i>, and IPSAS 46, <i>Measurement</i>. The IPSASB is now considering whether COV applies to other assets and whether introducing it to the existing IPSAS will address a measurement problem.</p>
<p>2. Ms. Colignon supported Ms. Stachniak’s comment.</p>	
<p>3. Mr. Simpson supported Ms. Stachniak’s comment. He highlighted that it is important to consider the difference in how COV and FV are derived.</p>	
<p>4. Mr. Zhang noted decision makers consider fair value of assets, when such assets can be used to generate economic benefits and for their service potential, in order to make optimal decisions. For example, a public university located in prime real estate can be relocated to the suburbs, for the government to repurpose the existing buildings to generate rental income. He encouraged the IPSASB to continue limiting the use of COV to measuring assets that can only be used for their operational capacity.</p>	<p>Noted by the IPSASB staff. The scope of the measurement application phase project is to evaluate the applicability of COV in specific IPSAS. Limiting the use of COV to assets that can only be used for their operational capacity is outside of the scope of the project.</p>

<p>5. Ms. Sanderson asked for an example of how the application of COV will create an extra assessment point, and whether the application of COV depends on the nature of the asset (e.g., whether it's specialized).</p>	<p>Mr. Warren shared an example of the analysis of the applicability of COV in IPSAS 12, <i>Inventories</i>, and noted that the weighting of conceptual versus practical considerations would be difficult when evaluating the applicability of COV in IPSAS 31, <i>Intangible Assets</i>.</p>
<p>6. Ms. Colignon noted that the extent a measurement basis is applied in IPSAS is also subject to the constraints outlined in the Conceptual Framework. These constraints allow users to exercise judgment to mitigate any negative effects of too conceptual approach.</p>	<p>Noted by the IPSASB staff and considered in the drafting of Agenda Item 9 in this IPSASB meeting (March 2024).</p>
<p>7. Ms. Dar recommended the IPSASB consider their users' implementation costs and complexities of having different current value measurement bases applied in financial statements when evaluating the applicability of COV across IPSAS, particularly, when FV is similar to COV. She suggested IPSASB staff assess the implications of introducing COV or changes in accounting policies under IPSAS 3, <i>Accounting Policies, Changes in Estimates and Errors</i>.</p>	<p>Noted by the IPSASB staff. The implications of the introduction of COV as an additional current value measurement were discussed with the IPSASB in December 2023. The IPSASB decided to amend IPSAS 3 to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy.</p>
<p>8. Mr. Williamson raised the question of whether the application of COV was a policy decision. If so, he suggested there should be a requirement to disclose FV when an entity applies COV for a school that is located in prime real estate.</p>	<p>Staff notes that the application of COV is not a policy decision. No action required.</p>
<p>9. Ms. Stachniak advised the IPSASB to provide a transitional provision for entities to continue to apply FV when the value for COV is expected to be the same as FV.</p>	<p>Noted by staff and will be considered during the development of the final pronouncement.</p>
<p>10. Ms. Sanderson advised the IPSASB to explore a rebuttable presumption approach where FV is considered to provide a reliable measurement and for the IPSASB to consider the likelihood of needing an entry price versus an exit price.</p>	<p>The scope of the measurement application phase project is to evaluate the applicability of COV in specific IPSAS. The addition of rebuttable presumption is outside of the scope of the project.</p>

Agenda Item 9.3.2

11. Mr. van Schaik recommended that the evaluation of the applicability of COV should consider GFS' valuation of assets to avoid unnecessary differences.	The comparison of IPSAS 46 with GFS notes that the same valuation can be expected when the market approach is used as the measurement technique to measure COV.
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