

# MEASUREMENT APPLICATION PHASE

IPSASB Meeting – March 2024

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# IPSAS 12, *Inventories* – Day 2 Movement

## Analysis

- There is an inherent Day 2 movement in IPSAS 12 measurement principles because it measures items at the lower of two values.
- The replacement of current replacement cost with current operational value does not change the existing accounting in IPSAS 12.

## Recommendation

- Day 2 movement is outside of the scope of the Measurement Application Phase project
- Confirm December 2023 IPSASB decision to replace current replacement cost with current operational value

# 'Least Costly Manner' – Current Operational Value

## Analysis

- An entity is required to determine 'the amount the entity would pay' when determining COV.
- 'Least costly manner' is a principle of the measurement basis because it is discussed under 'the amount the entity would pay' (part of the COV definition).
- Elements that do not faithfully present relevant information are not included in the determination of COV, such as a concessionary element.

## Recommendation

- Further clarity is needed for the consistent application of current operational value
- Amend paragraphs 23, B9 of IPSAS 46, *Measurement*
- Add IG D7 to IPSAS 46

# IPSAS 31, *Intangible Assets* - Applicability of COV

## Analysis

- Current operational value is an applicable current value measurement for intangible assets in scope of IPSAS 31:
  - Consistent with the objective of measurement in Chapter 7 of the Conceptual Framework;
  - Practical considerations:
    - Measurement issue that led to the development of COV for tangible assets applies to intangible assets;
    - Consistency in current value model principles across IPSAS; and
    - Whether COV approximates FV should not outweigh the conceptual applicability of COV (CAG's Advice).

## Recommendation

- Replace fair value with deemed cost for the initial recognition of intangible assets acquired in a non-exchange transaction
- Add current operational value in the current value model for the measurement of intangible assets held for their operational capacity

# Current Value Measurement Disclosures – Proposed Amendments

## Analysis

- The terms ‘recurring’ and ‘non-recurring’ are only necessary when an IPSAS requires current value measurement at both recurring and non-recurring basis.
- The level of current value measurement disclosure (recurring or non-recurring) should be tailored to the current value measurement required by the relevant IPSAS.
- Introduction of current operational value for the measurement of inventories (IPSAS 12) held for their operational capacity results in the non-recurring current operational value of inventories, when the current operational value is lower than the cost of those inventories.

## Recommendation

- For consistency purposes the terms ‘recurring’ and ‘non-recurring’ should be removed from specific IPSAS
- Non-recurring current operational value measurement disclosures should be added to IPSAS 12.

# Other Instructions – December 2023 IPSASB Meeting

## Analysis

- Redrafting of proposed IPSAS 12.17(c) will provide further clarity than merging its content to IPSAS 12.17(a) and 12.17(b).
- Illustrative examples of the application of current value measurement bases in IPSAS 21 were revised to address IPSASB December 2023 instructions, specifically:
  - Unit of Account;
  - Market Approach; and
  - Reduction of monetary amounts.

## Recommendation

- Add revised proposed IPSAS 12.17(c) for clarity of which inventories shall be measured at the lower of cost and COV.
- Approve illustrative examples on the application of current value measurement bases in IPSAS 21.

# Exposure Draft - Development

## Analysis

- Title the ED *Application of IPSAS 46, Measurement and Definition of Accounting Estimates* because most of the amendments relate to the applicability of current value measurements.
- For clarity purposes split the ED into four parts
  - Amendments: Part 1 - Applicability of COV;
  - Amendments: Part 2 - Limited Scope Update of IPSAS 21;
  - Amendments: Part 3 - Definition of Accounting Estimates (IAS 8); and
  - Amendments: Part 4 - Improvements to Current Value Measurement Disclosures

## Recommendation

- Title the ED: *Application of IPSAS 46, Measurement and Definition of Accounting Estimates* (Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and IPSAS 46)
- Split ED into four parts

# *Application of IPSAS 46, Measurement* – ED Page Flip

Page flip of (draft) ED [XX], *Application of IPSAS 46, Measurement*  
(Amendments to IPSAS 3, IPSAS 12, IPSAS 21, IPSAS 31, and  
IPSAS 46)

