

Date: November 26, 2024

Mr. Ross Smith
Program and Technical Director,
International Public Sector Accounting Standards Board
International Federation of Accountants
529 5th Avenue
New York, New York 10017

RE: *Comments on ED 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*

Dear Mr. Smith,

We welcome the opportunity to comment on ED 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*.

Our responses to the specific questions raised in the Exposure Draft as well as other comments are set out in Appendix 1.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

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Yours sincerely,

Abdullah Al Mehthil

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Appendix 1 - Exposure Draft (ED) 90, *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*

Specific Matter for Comment 1:

Do you agree that current operational value is an applicable current value measurement basis for assets in the scope of IPSAS 12, *Inventories* and IPSAS 31, *Intangible Assets*, as proposed in Part 1 of this ED? If you do not agree please explain your reasoning.

The ED includes an Alternative View on adding current operational value as an additional measurement basis to the current value model in IPSAS 31.

[Our Comments]

We only partly agree with the changes proposed to IPSAS 12, *Inventories* and IPSAS 31, *Intangible Assets*. We do not agree to removing the terms 'recurring' and 'non-recurring'. Recurring and non-recurring fair value measurements are two differently defined types of fair value measurements in IFRS 13 with some disclosures common to both and others specific to each. Removing the recurring/non-recurring distinction as proposed would make the disclosures applicable to both types and remove some disclosures specific to non-recurring fair value measurements. We suggest maintaining alignment with IFRS 13 in terms of the disclosures for recurrent/non-recurrent measurements. For example, IFRS 13 disclosures that are applicable only to recurrent measurements should not be required for the use of a deemed cost at initial recognition. This would overburden preparers. Alignment with IFRS in terms of approach and language is integral to the development of IPSAS for good reasons. The ED does not identify a public sector specific reason for making the proposed departure.

We also only partly agree with the Alternative View. We understand that IPSAS 31 requires a major overhaul and explicitly welcome the current IASB project on this matter. We believe the result of the IASB project will also lead to changes to IPSAS 31. However, we do not believe this pre-empts the changes now proposed in ED 90 and we agree to update IPSAS 31 now.

Specific Matter for Comment 2:

Part 1 of this ED proposes that current operational value is an applicable subsequent current value measurement basis for right-of-use assets (i.e., assets in scope of IPSAS 43, *Leases*). (a) Do you agree that current operational value can be applied to the subsequent measurement of right of-use assets? If you do not agree, please explain your reasoning. (b) If you agree with (a),

do you agree that current operational value can be applied using the current guidance in IPSAS 46 (without the income approach as one of its measurement techniques)? If you do not agree please explain your reasoning.

[Our Comments]

We only partly agree with the proposed changes to IPSAS 46, *Measurement* and IPSAS 43, *Leases*. We do not agree to removing the terms 'recurring' and 'non-recurring'. Recurring and non-recurring fair value measurements are two differently defined types of fair value measurements in IFRS 13 with some disclosures common to both and others specific to each. Removing the recurring/non-recurring distinction as proposed would make the disclosures applicable to both types and remove some disclosures specific to non-recurring fair value measurements. We suggest maintaining alignment with IFRS 13 in terms of the disclosures for recurrent/non-recurrent measurements. For example, IFRS 13 disclosures that are applicable only to recurrent measurements should not be required for the use of a deemed cost at initial recognition. This would overburden preparers. Alignment with IFRS in terms of approach and language is integral to the development of IPSAS for good reasons. The ED does not identify a public sector specific reason for making the proposed departure.

We agree with (a), that Current Operational Value can be applied to subsequent measurement of right of use assets. We also agree with (b) that Current Operational Value can be used without the income approach.

Specific Matter for Comment 3:

Do you agree with the replacement of value in use of a non-cash-generating asset by current operational value in the definition of recoverable service amount in IPSAS 21, *Impairment of Non-Cash Generating Assets*, as proposed in Part 2 of this ED? Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its current operational value. If you do not agree please explain your reasoning.

[Our Comments]

We agree with the proposed changes to IPSAS 21, since they are a logical consequence of replacing replacement cost by current operational value.

[Other Comments]



1. As with the amendments to IPSAS 12, IPSAS 31, and IPSAS 46, we do not agree to removing the terms 'recurring' and 'non-recurring' from IPSAS 16, IPSAS 27, IPSAS 30, IPSAS 34, and IPSAS 38. Recurring and non-recurring fair value measurements are two differently defined types of fair value measurements in IFRS 13 with some disclosures common to both and others specific to each. Removing the recurring/non-recurring distinction as proposed would make the disclosures applicable to both types and remove some disclosures specific to non-recurring fair value measurements. We suggest maintaining alignment with IFRS 13 in terms of the disclosures for recurrent/non-recurrent measurements. For example, IFRS 13 disclosures that are applicable only to recurrent measurements should not be required for the use of a deemed cost at initial recognition. This would overburden preparers. Alignment with IFRS in terms of approach and language is integral to the development of IPSAS for good reasons. The ED does not identify a public sector specific reason for making the proposed departure.
2. The IPSASB concluded that current operational value is not an applicable measurement basis for assets in the scope of IPSAS 27 on the grounds that these are not held for their operational capacity. IPSAS 27 defines an agricultural activity as "the management by an entity of the biological transformation and harvest of biological assets for: * Sale; * Distribution at no charge or for a nominal charge; or * Conversion into agricultural produce or into additional biological assets for sale or distribution at no charge or for a nominal charge". Biological assets in an agricultural activity involving distribution at no charge or for a nominal charge would be held for operational capacity.
3. IPSAS 31, paragraph 82 states, "The fact that an active market no longer exists for a revalued intangible asset measured at fair value may indicate that the asset may be impaired and that it needs to be tested in accordance with IPSAS 21 or IPSAS 26, as appropriate." With the introduction of COV, an intangible asset carried at fair value would now mean it is a cash generating asset and therefore falls outside the scope of IPSAS 21 and within the scope of IPSAS 26. So this should now read, "... in accordance with IPSAS 26."
4. Amendments to IPSAS 46- We do not support the changes to paragraphs B4 through B6 because they simply do away with the hierarchy giving precedence to the price in an active market where one exists and suggest that an entity can still choose between B4(a) and B4(b) even if an active market exists.
5. IPSAS 21- We suggest changing "fair value less costs to sell" to "fair value less costs of disposal" to align with IPSAS 26 and IAS 36. Also, "costs of disposal" is a defined term in IPSAS 21, so this would also make IPSAS 21 consistent as to the terminology used.
6. IPSAS 44 has not been amended by IPSAS 46 yet. For example, paragraph 6(d) of IPSAS 44 still refers to the fair value model and paragraph 10 of IPSAS 44 still refers to IFRS 13.
7. We suggest the following editorial changes:



Text	Suggested change(s)
Amendments to IPSAS 12, <i>Inventories</i>	
1. ... This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value <u>and</u> current operational value. It also provides guidance on the cost formulas that are used to assign costs to inventories.	1. ... This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value <u>or to</u> current operational value. It also provides guidance on the cost formulas that are used to assign costs to inventories.
31. ... Under such circumstances, the cost of inventory is <u>valued</u> measured using the provisions of paragraph 16.	31. ... Under such circumstances, the cost of inventory is <u>measured</u> using the provisions of paragraph 16.
Distribution <u>and Consumption</u> of Goods at No Charge or for a Nominal Charge	Distribution of Goods at No Charge or for a Nominal Charge, <u>and Consumption of Goods in the Production of Goods or Rendering of Services to be Provided at No Charge or for a Nominal Charge</u>
43. ... If the purpose for which the inventory is held changes, then the inventory is <u>valued</u> using the provisions of paragraph 15.	43. ... If the purpose for which the inventory is held changes, then the inventory is <u>remeasured</u> using the provisions of paragraph 15.
BC19. ... The alignment of the guidance resulted in an entity determining the cost of inventories at initial recognition at deemed cost, meaning <u>at current operational value or fair value</u> depending on whether the entity holds the inventories for their financial capacity or operational capacity...	BC19... The alignment of the guidance resulted in an entity determining the cost of inventories at initial recognition at deemed cost, meaning <u>at fair value or current operational value</u> depending on whether the entity holds the inventories for their financial capacity or operational capacity...
Amendments to IPSAS 31, <i>Intangible Assets</i>	
74. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value or current operational value at the date of the revaluation less any subsequent	74. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value or current operational value at the date of the revaluation less any subsequent



Text	Suggested change(s)
accumulated amortization and <u>subsequent</u> accumulated impairment losses. ...	accumulated amortization and <u>any subsequent</u> accumulated impairment losses. ...
74B. ... For the purpose of revaluations under this <u>Standard</u> , fair value shall be measured by reference to an active market.	74B. ... For the purpose of revaluations under this <u>Standard of intangible assets carried at fair value</u> , fair value shall be measured by reference to an active market.
80. If an intangible asset in a class of revalued intangible assets held for its financial capacity cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and <u>impairment</u> losses.	80. If an intangible asset in a class of revalued intangible assets held for its financial capacity cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and <u>any accumulated impairment</u> losses.
AG12. After recognition, an intangible asset whose current value can be measured in a faithfully representative manner may be carried at a revalued amount, being its: (a) Current operational value; or (b) Fair value; at the date of the revaluation, less any subsequent accumulated amortization, and <u>subsequent</u> accumulated impairment losses.	AG12. After recognition, an intangible asset whose current value can be measured in a faithfully representative manner may be carried at a revalued amount, being its: (a) Current operational value; or (b) Fair value; at the date of the revaluation, less any subsequent accumulated amortization, and <u>any subsequent</u> accumulated impairment losses.
AG15. In some cases, it may not be clear whether the intended primary objective of holding an intangible asset is for its operational or financial capacity. Judgment is <u>needed</u>	AG15. In some cases, it may not be clear whether the intended primary objective of holding an intangible asset is for its operational or financial capacity. Judgment is <u>needed in such cases</u>
<i>Amendments to IPSAS 46, Measurement</i>	
B5.... If an active market does not exist an entity will need to estimate current operational	B5.... If an active market does not exist an entity will need to estimate current operational



Text	Suggested change(s)
value using <u>applicable</u> measurement techniques.	value using <u>appropriate</u> measurement techniques.
B6. The costs that would be incurred to develop, or produce <u>the</u> identical, or a similar, asset is estimated using available price information....	B6. The costs that would be incurred to develop, or produce <u>an</u> identical, or a similar, asset is estimated using available price information....
<i>Amendments to IPSAS 21, Impairment Non-Cash-Generating Assets</i>	
10A. However, this Standard applies to non-cash-generating assets that are carried at revalued amounts (i.e., fair value, or current operational value, at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses) in accordance with other IPSAS, such as the current value model in IPSAS 45, Property, Plant, and Equipment and the current value model in IPSAS 31, <i>Intangible Assets</i>	10A. However, this Standard applies to non-cash-generating assets that are carried at revalued amounts (i.e., fair value, or current operational value, at the date of the revaluation less any subsequent accumulated depreciation and <u>any</u> subsequent accumulated impairment losses) in accordance with other IPSAS, such as the current value model in IPSAS 45, Property, Plant, and Equipment and the current value model in IPSAS 31, <i>Intangible Assets</i>
<i>Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors</i>	
37(c) The net realizable value or current operational value of an item of inventory, applying IPSAS 12, <i>Inventories</i> and IPSAS <u>46</u> , <i>Measurement</i> respectively;	37(c) The net realizable value or current operational value of an item of inventory, applying IPSAS 12, <i>Inventories</i> and IPSAS <u>46</u> , <i>Measurement</i> respectively;