

Ref: PSASB I/12 Vol. V (129)

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Ross Smith

Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V3H2
CANADA

Dear *Ross Smith*

EXPOSURE DRAFT 90 ON AMENDMENTS TO IPSAS AS A RESULT OF THE APPLICATION OF IPSAS 46 MEASUREMENT.

The Public Sector Accounting Standards Board Kenya (PSASB) is mandated by section 194 of the Public Finance Management Act of Kenya, 2012.

We thank the IPSASB for publishing the proposal to amend IPSAS as a result of application of IPSAS 46, Measurement to factor in Current operational Value measurement basis across relevant IPSASs.

PSASB's comments on the Exposure Draft are outlined in the appendix to this letter.

Yours Sincerely



CPA GEORGINA MUCHAI
Aq. CHIEF EXECUTIVE OFFICER

Responses to Exposure Draft 90: Amendments to IPSAS as a result of the Application of IPSAS 46, measurement.

The objective of this ED is to propose amendments to add the Current operational value measurement basis across relevant IPSAS.

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 the ED?

If you do not agree please explain your reasoning.

PSASB Kenya agrees with inclusion of current operational value measurement basis for assets in the scope of IPSAS 12, Inventory, since it will guide the measurement of inventories for operational capacity/distribution. COV will provide more accurate values.

PSASB Kenya also agrees with inclusion of Current Operational value measurement in IPSAS 31, Intangible assets. The value provided will be accurate since it based on the operational context. We however request that a comprehensive application guidance be prepared to guide users.

Specific Matter for Comment 2

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-to-uses assets? If you do not agree please explain the reasoning

PSASB agrees that inclusion of current operational value can be applied to subsequent measurement for rights-of-use assets that are acquired at no cost or where nominal payments are made. This applies when one public sector entity leases an item to another public sector entity for free or at a concessionary rate.

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

PSASB Kenya does not agree that current operational value can be applied on Leases using the current guidance in IPSAS 46. The key figures in Leases namely Right of use and Lease liability are derived by factoring discounted cash flows which is what the income



approach technique applies. Currently COV does not have Income approach as a measurement technique. We suggest that COV to only apply to instances where the Right of Use assets are acquired at zero or at concessionary rates. For commercial based Leases COV should not be applied.

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, explain

PSASB Kenya agrees with the proposed replacement of value in the use of non-cash-generating assets by current operational value. This will be more accurate because the current operational value takes into consideration the remaining service potential and the asset's existing use and location.
