40 Church Square
Pretoria
0002
Tel. 011 697 0660
www.asb.co.za

**TO:** MEMBERS OF THE BOARD

**FROM:** NABEELA IMAM SHAH

**SUBJECT:** MEASUREMENT

**DATE:** 12 NOVEMBER 2025

**REF:** ATTACHMENT 4(a)

## BACKGROUND

1. Research on the measurement project to understand the local measurement landscape was conducted in 2024. The Board assessed the results and concluded to use the IPSAS *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (IPSAS Conceptual Framework*)* and IPSAS 46, *Measurement* as a starting point for the amendments to the *Conceptual Framework for General Purpose Financial Reporting* (Conceptual Framework) and to develop a Standard of GRAP on *Measurement*.

2. The amendments to the Conceptual Framework will be exposed for comment first, whereafter the development of the Standard of GRAP on *Measurement* will follow. The project brief is included as attachment 4(b) for information purposes.

## OBJECTIVE

3. The purpose of this memorandum is for the Board to consider the Invitation to Comment (ITC) and the proposed Exposure Draft (ED) on the amendments to Chapter 7 on *Measurement of Assets and Liabilities* in the Conceptual Framework. This is included as attachment 4(c).

## DEVELOPING THE EXPOSURE DRAFT

4. The amendments to the Conceptual Framework align with IPSAS, with minor differences highlighted under “Matters for Discussion” below.

5. The ITC includes a summary of the main changes, as well as a comparison to the current principles. This is included to help stakeholders understand the proposed changes and their potential impact at a conceptual-level. For more detail on the IPSAS principles, access a presentation on the ASB website and a recording on the ASB's YouTube channel.

6. Two project group meetings (one for preparers of financial statements and the other for auditors, consultants and professional bodies) were held during September 2025 to consider the ITC and the ED. Stakeholders with the necessary skills and knowledge were invited to the project group meetings. They included professional valuers. A high level education session on the proposed principles and a comparison to the current principles was provided to the project groups.

7. The Technical Committee recommended the ITC and ED to the Board.

## MATTERS FOR DISCUSSION

**Minor differences between the ED and the IPSAS Conceptual Framework**

8. The following changes were made to the ED compared to the IPSAS Conceptual Framework, to enhance clarity of the text. The basis for conclusions in the ED notes that minor changes have been made.

Paragraphs 7.4A and 7.4B

9. The IPSAS Conceptual Framework contains the following highlighted text:

**Initial Measurement**

7.5 Initial measurement for an asset is at transaction price plus transaction costs unless there are no reliable transaction price data available, or there is another more representationally faithful measurement basis. Transaction price is the consideration given to acquire, construct or develop an asset. Transaction costs for assets are incremental costs that are directly attributable to the acquisition, construction, or development, of an asset and would not have been incurred if the entity had not acquired, constructed, or developed the asset. Transaction price plus transaction costs is the historical cost for an asset.

7.6 Initial measurement for a liability is at transaction price minus transaction costs unless there are no reliable transaction price data available, or there is another more representationally faithful measurement basis. Transaction price is the consideration received to assume an obligation. Transaction costs for liabilities are incremental costs that are directly attributable to the incurrence of a liability and would not have been incurred if the entity had not incurred the liability. Transaction price minus transaction costs is the historical cost for a liability.

10. The highlighted text was excluded from the ED because the reference to "historical cost" could cause confusion, as historical cost is a measurement basis that is dealt with separately in subsequent measurement. Furthermore, individual Standards may have specific initial measurement requirements that differ from historical cost, for example, financial instruments are initially measured at fair value and the treatment of transaction costs depends on the subsequent measurement of the instrument.

11. The Secretariat asked the IPSASB staff for the rational for including the reference to "historical cost". The staff noted that the sentences convey that transaction price plus/minus transaction costs become the historical cost of an asset or liability. While they did not identify major issues in interpreting the sentences, they did not foresee any issues with removing them.

Paragraph 7.4C

12. Reference is made to deemed cost in the IPSAS Conceptual Framework, but there is no definition or explanation of the term. This is contained in IPSAS 46.

13. A short explanation of deemed cost was added to the end of paragraph 7.4C. The term will be explained in more detail when developing the Standard of GRAP on *Measurement,* in line with IPSAS 46.

Paragraph 7.6

14. The corresponding IPSAS paragraph refers to “financial reports”, while paragraph 7.6 refers to “general purpose financial reports”. The additional text enhances the consistent use of terminology in the ED.

Paragraph 7.15

15. The corresponding IPSAS Conceptual Framework paragraph refers to the term “recoverable amount”. This term has a certain understanding in GRAP 26 on *Impairment of Cash-generating Assets*.

16. As the paragraph can be applied more broadly, the ED proposes to add the term “recoverable service amount” to make it clear that the paragraph can also apply to non-cash-generating assets.

Paragraph 7.23D

17. The corresponding IPSAS Conceptual Framework paragraph contains this sentence at the end of the paragraph: *“This is because future costs are more likely to resemble current costs than those incurred in the past when prices were different.”* The Technical Committee indicated that it is confusing to state that future costs are likely to resemble current costs.

18. The ED proposes to exclude this sentence as it is not required to convey the principle in the paragraph and may confuse readers.

Paragraph 7.34

19. The corresponding IPSAS Conceptual Framework paragraph appears inconsistent between the first and last sentences of the paragraph. The first sentence in the paragraph refers to an asset's ability to generate economic benefits when assessing its financial capacity (in addition to the amount that would be received on sale), but the last sentence excludes an asset's ability to generate economic benefits other than through sale.

20. The ED proposes to change the last sentence of paragraph 7.34 to an example, so that it does not seem incomplete in its considerations of an asset’s financial capacity.

**Value in use**

21. In the IPSASB’s recent project titled *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*, the IPSASB replaced the term value in use with current operational value (COV) throughout IPSAS 21, *Impairment of Non-cash-generating Assets*. Consequential amendments to the IPSAS Conceptual Framework removed the applicability of value in use to non-cash-generating assets.

22. These amendments are not included in the ED. Paragraphs 7.57A – 7.57F of the ED indicate that value in use is applicable to non-cash-generating assets. As the Secretariat has not yet developed the Standard of GRAP on *Measurement,* it is proposed to keep references to non-cash-generating assets under the application of value in use. Once the applicability of COV is assessed and consulted on locally, amendments to value in use in the Conceptual Framework can be made, if stakeholders agree that the term value in use should be replaced with COV.

**ACTIONS REQUESTED #1**

**The Board is requested to:**

**a) CONSIDER the matters for discussion;**

**b) REVIEW the proposed ED and ITC;**

**c) CONSIDER the appropriateness of the Specific Matters for Comment in the ITC; and**

**d) if appropriate, APPROVE the proposed ED and ITC for public consultation.**

**NEXT STEPS**

23. The Secretariat will begin the public consultation process once the ED and ITC are approved by the Board.