



Responses due by 8 November 2024

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON THE EXPOSURE DRAFT OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD ON AMENDMENTS TO IPSAS AS A RESULT OF THE APPLICATION OF IPSAS 46, *MEASUREMENT* (ED 210)



Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the International Public Sector Accounting Standards Board (IPSASB®) on *Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement*. Comment received on this Exposure Draft will be used in formulating a response to the IPSASB.

Comment should be submitted in writing so as to be received by **8 November 2024**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record. Comment should be addressed to:

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Background to this Exposure Draft

In line with the ASB's Due Process Handbook, the ASB aligns its Standards of GRAP with International Public Sector Accounting Standards (IPSAS) where appropriate. Consequently, amendments to IPSAS can impact the Standards of GRAP. Amendments to IPSAS are exposed locally to ensure that local stakeholders are informed of and can contribute to the IPSASB's process.

The IPSASB published IPSAS 46, *Measurement* in May 2023, which introduced a new public sector measurement basis for assets held for operational capacity called current operational value (COV). Following IPSAS 46, the IPSASB analysed the applicability of COV to other IPSAS. The primary objective of this Exposure Draft (ED) is to propose amendments to add COV to relevant IPSAS. This ED contains four parts:

- Part 1: Applicability of COV in IPSAS
- Part 2: Limited scope update to IPSAS 21, *Impairment of Non-Cash Generating Assets*
- Part 3: Definition of accounting estimates – IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Part 4: Improvements to current value measurement disclosures

Applicability of COV in IPSAS

The ED proposes to add COV to IPSAS 12, *Inventories* and IPSAS 31, *Intangible Assets*. The addition of COV to IPSAS 12 and IPSAS 31 for assets held for purposes other than the generation of cash flows is expected to result in more relevant and faithful measurement information.

Inventories

The ED proposes to add COV:

- a) at initial measurement for inventories acquired in non-exchange transactions; and
- b) at subsequent measurement for inventories held for operational capacity.

Intangible assets

The ED proposes to add COV:

- a) at initial measurement for intangible assets acquired in non-exchange transactions; and
- b) at subsequent measurement for inventories held for operational capacity when an entity applies the current value model.

Alternative view for intangible assets

An alternative view disagrees with the proposals in the ED regarding the application of COV to the subsequent measurement of intangible assets at this time. The main reasons are:

- a) Absence of the 'active market restriction' for the revaluation of intangible assets held for operational capacity. This is a fundamental change that may impact the reliability of the measurement of those intangible assets.
- b) COV requirements were primarily developed for tangible assets, which would make these requirements challenging to apply to intangible assets.
- c) The International Accounting Standards Board (IASB) is undergoing a comprehensive review of the accounting requirements for intangible assets for private-sector entities (not only limited to measurement implications).

The alternative view considers that the addition of COV to IPSAS 31 should be reassessed after undertaking an analysis in respect of the concerns above. This analysis should be done once the IASB has finalised its review of the accounting requirements for intangible assets.

Limited scope update to IPSAS 21

The ED proposes to:

- a) update the definition of recoverable service amount to the higher of fair value less costs to sell and COV; and
- b) remove depreciated replacement cost, restoration cost and service unit approaches from the standard.

The replacement of value in use of a non-cash generating asset with COV aligns recoverable service amount with the measurement methodology in IPSAS 46.

Definition of accounting estimates

The definition of accounting estimates is revised to align with IPSAS 46 terminology and with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The definition of accounting estimates is expected to help entities distinguish changes in accounting estimates from changes in accounting policies.

Improvements to current value measurement disclosures

This ED proposes to streamline the terminology used in the current value measurement disclosure requirements in IPSAS by removing the term 'recurring or non-recurring'. This terminology is considered redundant as the current value measurement disclosures are in the specific IPSAS that indicates the measurement requirements, as opposed to consolidated in IPSAS 46.

Impact of the IPSASB's work on the local environment

The Board maintains convergence with IPSAS where relevant to the public sector and consistent with the ASB's mandate and strategic objectives. The Board has begun its measurement project to assess whether alignment with IPSAS 46 is appropriate for the local environment. The ED has no impact on local requirements at this point. The Board will consider the final guidance from this ED for inclusion in its work programme.

Objective of this Exposure Draft

The objective of this ED is to propose amendments to IPSAS to add COV, a definition of an accounting estimate, and enhance the terminology used in current value measurement disclosures. Through this ED, the ASB seeks stakeholder feedback on proposed amendments to IPSAS, to inform the comment letter that will be submitted to the IPSASB.

Due process and timetable

The Board invites comment on the proposals set out in this ED from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, comment received will be used in formulating a response to the IPSASB.

Available materials

The IPSASB developed an “At-a-Glance” document that outlines the high-level principles and concepts of [ED 90](#) (locally issued as ED 210).

ED 210 can be accessed on the [ASB website](#) along with the other materials for concurrent exposure.

Request for comment

Comment on this ED is invited by **8 November 2024**. The comment period is earlier than the comment date of the international Exposure Draft to enable the Secretariat to review and collate the comment received before submission to the IPSASB.

Respondents should express an overall opinion on whether the Exposure Draft, in general, is supported and supplement this opinion with detailed comment, whether supportive or critical, on the proposals in the Exposure Draft.

Specific matters for comment

The IPSASB invites comment on the Specific Matters for Comment included below.

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.

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 the 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.

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.

General matters for comment

As with any other ED, comment on any other matter contained in this ED would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.