



240 Madiba Street
Pretoria
0002
Tel.
Fax. 011 697 0666
www.asb.co.za

The International Public Sector Accounting Standards Board

277 Wellington St. West
Toronto, ON
M5V 3H2

Submission via website

28 November 2024

Dear Ross

COMMENT ON EXPOSURE DRAFT ON AMENDMENTS TO IPSAS AS A RESULT OF THE APPLICATION OF IPSAS 46, MEASUREMENT (ED 90)

We thank you for the opportunity to comment on ED 90.

We issued the consultation concurrently for comment in our jurisdiction. We held three roundtable discussions to solicit views from preparers, auditors, technical advisors, academics, consultants, professional bodies, government officials, users and other interested parties. We received one written comment letter. We used the verbal and written comment received to develop our response.

The comments in this letter are those of the Secretariat of the ASB and not the Board.

We support the inclusion of current operational value (COV) in IPSAS 12, *Inventories* and IPSAS 21, *Impairment of Non-Cash Generating Assets*, as well as the amendments to enhance the current value measurement disclosures. We also support the change in the definition of an accounting estimate in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

We do not support the inclusion of COV as a measurement basis for assets in the scope of IPSAS 31, *Intangible Assets*. In this regard, we support the alternative view.

This letter includes considerations for the IPSASB on the applicability of COV to right-of-use assets in the scope of IPSAS 43, *Leases*.

Our responses to the specific and general matters for comment are outlined below.

Should you have any questions regarding the comment outlined in this letter, please feel free to contact me.

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Ms L Senne, Prof R Small
Chief Executive Officer: Mrs J Poggiolini

Yours sincerely

A handwritten signature in black ink, appearing to read 'Elizna van der Westhuizen', written in a cursive style.

Elizna van der Westhuizen

Head of Technical

SPECIFIC MATTERS FOR COMMENT

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.

IPSAS 12

We support the addition of COV to IPSAS 12 for assets held for their operational capacity.

Our stakeholders indicated that the guidance on COV will assist preparers in providing useful information on measurement of inventory in the financial statements.

IPSAS 31

We disagree with the proposals in the ED regarding the application of COV to intangible assets in IPSAS 31.

Our stakeholders support the alternative view and the reasons thereto.

They agree that an analysis of IPSAS 31 should be done once the International Accounting Standards Board (IASB®) has finalised its review of the accounting requirements for intangible assets for private-sector entities. It may be premature to amend IPSAS 31, which is largely aligned with IAS 38 on *Intangible Assets*, when the IASB's project may find the equivalent requirements to no longer be relevant or useful.

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.

Part (a)

We recommend that the IPSASB do further analysis to assess the appropriateness of COV to right-of-use assets.

While a right-of-use asset may be measured in terms of IPSAS 45, *Property, Plant and Equipment*, it represents the right to use an asset rather than the physical asset. Our stakeholders recommended that the IPSASB considers whether this right has similar

characteristics and measurement concerns as those raised for intangible assets under the alternative view described in the ED, particularly with regards to COV being a basis developed for tangible assets. More guidance is required on how to apply the basis to right-of-use assets.

Part (b)

Notwithstanding our response to (a) above, in theory, we agree that COV can be applied using the current guidance in IPSAS 46.

In our view, the income approach does not reflect the attributes applicable to the COV measurement basis and should not be introduced as a technique to measure COV.

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.

We support the replacement of value in use with current operational value in the definition of recoverable service amount in IPSAS 21.

Our stakeholders indicated that in applying value in use, depreciated replacement cost is often used. Depreciated replacement cost was noted to have similar characteristics to COV. They do not foresee any major implications from this amendment.

GENERAL MATTERS FOR COMMENT

Amendments: Part 4 – Improvements to current value measurement disclosures

Removing the term “recurring or non-recurring”

In removing the term “recurring or non-recurring”, our stakeholders noted that the amended requirements lead to more disclosure for non-recurring fair value measurements.

For example, prior to the proposed amendments, the effect of current value measurements on surplus/deficit or net assets/equity for the period was only required for recurring fair value measurements using significant unobservable inputs. Now, with the proposed amendments, this will be required for non-recurring fair value measurements as well.

The IPSASB is requested to consider whether the additional disclosure is useful and whether this implication was intended with the proposed amendments.

Amendments: Part 1 – Applicability of current operational value in IPSAS

IPSAS that do not refer to “measurement models” or “measurement basis” and its application to the amendments in IPSAS 3

The amendment to IPSAS 3.40 refers: *A change in the measurement ~~basis~~ model applied is a change in accounting policy, and is not a change in accounting estimate.*

Some IPSAS, such as IPSAS 34, *Separate Financial Statements*, do not refer to the terms “measurement models” or “measurement basis”. Our stakeholders raised concerns about how to apply the IPSAS 3 requirements to these IPSAS where IPSAS 3 uses the terms “measurement models” and “measurement basis”.

For example, it is unclear whether the cost, equity and fair value methods described in IPSAS 34 are to be considered measurement models or measurement bases for the purposes of applying IPSAS 3.40.

The IPSASB is requested to consider whether the proposed amendments to IPSAS 3 are understandable when applied to IPSAS that do not use the same terminology.