

Exposure Draft 90 (ED 90), titled "Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement."

Submitted by: BHOPAL BRANCH (CIRC)

Comment 1:

Question: 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?

Response: Yes, we do agree. The inclusion of current operational value as a measurement basis for inventories and intangible assets is a practical and relevant update for the public sector. Many public sector entities hold these assets primarily for their service potential rather than for generating financial returns. By shifting the focus to current operational value, the measurement becomes more aligned with how these assets are actually used in the day-to-day operations of these entities.

For example, inventories in the public sector, such as medical supplies or educational materials, are generally not intended for sale but for consumption in delivering public services. The current operational value reflects their utility and relevance in fulfilling this purpose. Similarly, intangible assets like software or licenses are more valuable in terms of their contribution to service delivery rather than market value. This approach provides stakeholders with a clearer and more accurate understanding of the value that these assets bring to the public sector, enhancing both transparency and accountability.

Comment 2:

Question: 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)?

Response: Yes, we fully agree with applying current operational value to the subsequent measurement of right-of-use assets. These assets, like leased office spaces or equipment, are typically held for operational purposes in the public sector. Therefore, measuring them based on their current operational value aligns with the real purpose they serve—enabling service delivery.

In terms of the specific approach, we also agree that current operational value can be applied without the income approach. In most cases, public sector assets generate little to no cash flow, so using the income approach for valuation would be impractical and would not reflect the actual value derived from the asset's use. The market and cost approaches, as outlined in IPSAS 46, offer a more practical and reliable method for measuring the value of these assets, especially considering the public sector's service-oriented focus. Excluding the

income approach makes sense in this context, as it simplifies the measurement process without sacrificing accuracy or relevance.

Comment 3:

Question: 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?

Response: Yes, we agree with replacing "value in use" with "current operational value" in the context of non-cash-generating assets. Public sector assets are often held for their service potential, not for generating cash flows, so measuring their value based on "value in use" is somewhat misaligned with their real purpose. Current operational value, on the other hand, directly addresses this by focusing on the service capacity of these assets in their current condition.

For instance, public sector assets such as roads, bridges, or public hospitals are valuable because of the service potential they provide, not because of their market resale value or income-generating potential. By adopting current operational value, the measurement becomes more faithful to the actual role these assets play within the public sector. It enhances the reliability of the reported value, making it more useful for decision-making and holding the public sector accountable for its stewardship of public resources.

Additional Comments

Suggestions for Wording and Implementation: The removal of terms like "recurring" and "non-recurring" from the measurement disclosure terminology is a positive step. It makes the language more consistent across IPSAS, reducing confusion and promoting clarity in reporting. Consistency is crucial, especially when dealing with complex public sector financial information, as it helps users of financial statements understand the information presented without getting bogged down in technicalities.

However, we would like to suggest a phased approach to the implementation of these amendments. While the changes are beneficial, they may require public sector entities to invest time and resources into revising their systems and processes. A phased implementation could ease this transition and allow for a smoother adoption of the new standards.

Summary of Suggested Responses

Question	Suggested Response
1. Is current operational value applicable for IPSAS 12 and IPSAS 31?	Yes. It aligns well with the public sector's service-focused use of assets, ensuring that measurement reflects the true value these assets contribute.

Question	Suggested Response
<p>2. Should current operational value apply to right-of-use assets?</p>	<p>Yes. These assets are used for operational purposes, and current operational value provides a more accurate reflection of their value to the entity.</p>
<p>(a) Can current operational value be applied without the income approach?</p>	<p>Yes. The income approach is not suitable for public sector assets with low cash flow potential. The market and cost approaches provide a more practical solution.</p>
<p>3. Should "current operational value" replace "value in use" in IPSAS 21?</p>	<p>Yes. This change better reflects the service potential of non-cash-generating assets, aligning the measurement approach with the operational realities of the public sector.</p>
<p>Additional Comments</p>	<p>Support for consistent terminology, phased implementation to ease the transition, and suggestions for enhanced clarity in disclosure requirements.</p>