



IPSAS 46, *Measurement* and Update of Chapter 7 of the Conceptual Framework

This summary provides an overview of [IPSAS 46, *Measurement*, and Conceptual Framework Update: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*](#)

- Project Objective:** The objective of these projects was to improve measurement guidance across IPSAS by:
- (a) Providing further detailed guidance on the implementation of commonly used measurement bases, and the circumstances under which they should be used;
 - (b) Clarifying transaction costs guidance to enhance consistency across IPSAS; and
 - (c) Amending, where appropriate, guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement-related disclosures.
- Approved:** The International Public Sector Accounting Standards Board® (IPSASB®) approved:
- (a) [Conceptual Framework Update: Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*](#) in December 2022; and
 - (b) [IPSAS 46, *Measurement*](#) in March 2023.
- Both pronouncements were issued in May 2023.
- Project History:** The IPSASB initiated the Measurement project in 2015.
- In April 2021, the IPSASB issued [ED 76, *Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*](#) and [ED 77, *Measurement*](#).
- Responses to these EDs were considered in developing the final pronouncements.

Subsequent Measurement Framework

The subsequent measurement framework illustrates the relationship between different components when determining the value of an asset or liability.

Evolution (Not Revolution)

In developing more detailed guidance on the application of the commonly used measurement bases, the IPSASB evaluated its approach to measurement to better illustrate the relationship between models, bases, and techniques.

The subsequent measurement framework developed in Chapter 7 of the Conceptual Framework clarifies the approach to subsequent measurement in IPSAS.

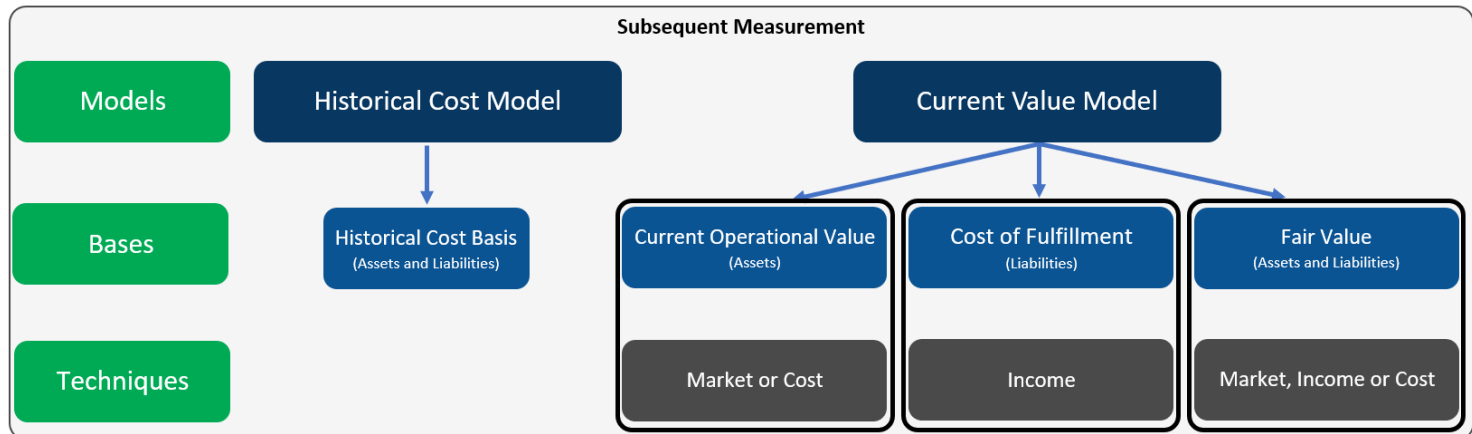
Subsequent Measurement Framework

The subsequent measurement framework in Chapter 7 explains the relationship between the various components required to estimate the value of an asset or liability. In developing the subsequent measurement framework, the IPSASB identified three levels of measurement:

Measurement Models. Approaches to present assets or liabilities.

Measurement Bases. Methods to present relevant and faithfully representative information under the model selected.

Measurement Techniques. Methods to estimate the amount at which an asset or liability is presented under the selected measurement basis.



Measurement Bases

Chapter 7 and IPSAS 46 Measurement Bases

Historical Cost

The consideration given to acquire, construct, or develop an asset plus transaction costs, or the consideration received to assume a liability minus transaction costs, at the time the asset is acquired, constructed or developed, or the liability is incurred.

Cost of Fulfillment

The costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.

Current Operational Value

The amount the entity would pay for the remaining service potential of an asset at the measurement date.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The pronouncements identify the measurement bases that are commonly applied in the IPSAS suite of standards. For the four bases identified:

- (a) The Conceptual Framework outlines the high-level characteristics of each measurement basis and IPSASB's considerations in selecting them; and
- (b) IPSAS 46 defines these bases and provides separate appendices with detailed guidance on how the bases are implemented in practice.

Current Operational Value

Current operational value is a measurement basis developed to respond to the key service delivery characteristic of many assets held by public sector entities.

The application of current operational value to each IPSAS will be considered throughout 2023, as part of a second phase of the measurement project.

Filling a Hole

Respondents to the Measurement Consultation Paper and Measurement Exposure Draft strongly supported adding an exit-based definition of fair value as a measurement basis to the Conceptual Framework and aligning fair value in IPSAS with the concepts in IFRS 13, *Fair Value Measurement*.

However, respondents identified challenges in applying fair value in the public sector. Stakeholders' concerns related to when an item is held for its operational capacity, as is often the case in the public sector, fair value is difficult to use because the following concepts may not apply:

- (a) Highest and best use; and
- (b) Maximizing the use of market participant data.

The IPSASB responded to this concern by developing current operational value, a public sector specific measurement basis, for estimating the value of assets.

Current Operational Value

Current operational value is the amount the entity would pay for the remaining service potential of an asset at the measurement date.

- In the statement of financial position, current operational value reflects the amount an entity would pay at the measurement date for the remaining service potential of its existing asset.
- In the statement of financial performance, current operational value reflects the consumption of the asset in providing the service based on conditions at the measurement date.

To reflect the unique characteristics of assets held in the public sector, current operational value measures assets in their existing use.

- 'Existing use' is the way an asset, or group of assets, is used and generally reflects the policy objectives of the entity operating the asset. For example, the ministry of health is responsible for the well-being of citizens. Assets such as hospitals are operated primarily deliver health care services rather than generating commercial returns.

Effective Date and Project History

The effective date of IPSAS 46 is January 1, 2025.

The IPSASB started using the updated Chapter 7 when it was approved.

Effective Date

The effective date of IPSAS 46 is January 1, 2025, with earlier application permitted.

The IPSASB selected this effective date because it allows public sector entities appropriate time to identify the impacts of, and to prepare for, the implementation of IPSAS 46.

The IPSASB started using the updated Chapter 7 of the Conceptual Framework immediately on approval. This is because the Conceptual Framework does not establish authoritative requirements for financial reporting by public sector entities that adopt IPSAS, nor does it override any requirements. This is consistent with the original 2014 Conceptual Framework, which did not have an effective date.

Project History

To learn more about the project history, and to view the consultation documents and responses, please visit:

<https://www.ipsasb.org/consultations-projects/measurement>

and

<https://www.ipsasb.org/consultations-projects/limited-scope-update-conceptual-framework>