
EXPOSURE DRAFT 90

AMENDMENTS TO IPSAS AS A RESULT OF THE APPLICATION OF IPSAS 46 – MEASUREMENT

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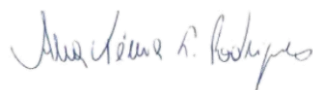
Dear Mr. Ross Smith,

The *Conselho Federal de Contabilidade* (CFC) of Brazil welcomes the opportunity to collaborate with the consultation on IPSASB, *Exposure Draft (ED) 90, Amendments to IPSAS as a Result of the Application of IPSAS 46 - Measurement*. CFC, alongside with its regional arms – *Conselhos Regionais de Contabilidade* (CRCs), is the Professional Accountancy Organization responsible for regulatory activities overseeing the accountancy profession throughout the country.

Our points of view and comments can be found in the Appendix of this document, which was prepared by the Permanent Committee for Public Sector Accounting Standards (CP CASP – acronym in Portuguese) linked to the Federal Accounting Council.

Should you have any questions or require clarification of any matters in this submission, please contact: tecnica@cfc.org.br.

Best regards,



Ana Tércia Lopes Rodrigues
Technical Vice-President
Conselho Federal de Contabilidade

CONTEXT AND GENERAL COMMENTS

The Brazilian Federation is composed by 26 states, the Federal District and 5,569 municipalities governments. These levels of governments are responsible for formulating, implementing, and evaluating public policies in cooperative and/or competitive arrangements.

APPENDIX

Specific Matters 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.

Answer:

CP CASP/CFC partially agrees. Regarding IPSAS 12, CP CASP/CFC concurs that the current operational value is an applicable measurement basis for the mentioned assets.

However, despite the potential benefits of applying this measurement basis in IPSAS 31, it is important to highlight that IAS 38 is currently under review by the IASB. Therefore, it would be prudent to await the conclusion of this process. This caution is necessary because any divergence arising from the outcome of this review may lead to revisions shortly after the amendments to IPSAS 31 are issued. Such revisions would lead to additional costs for generating accounting information due to changes in the standards, creating an unnecessary burden for the preparers of financial statements. Also, they could impair the comparability of the entity's financial information across periods—characteristics that should be prioritized in preparing this data, as established by The Conceptual Framework.

Specific Matters 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 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.

Answer:

Regarding the questions raised in points "a" and "b," CP CASP/CFC agrees with both proposals.

Specific Matters 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.

Answer:

CP CASP/CFC partially agrees.

This occurs because using the current operational value can lead to inconsistencies when evaluating assets temporarily out of service due to technical defects, even when the entity plans to restore its service potential.

If the technical defect persists and the current operational value is used as the measurement basis, the asset should be impaired because the service potential/value in use is zero at the time of measurement. Alternatively, the recoverable value would be insignificant at fair value less cost to sell.

Thus, the restoration cost approach should be retained, enabling the entity to measure these assets in alignment with its decision to restore the asset.