



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

25 October 2021

Mr John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
CANADA

Dear John,

**EXPOSURE DRAFT 77, *MEASUREMENT***

The Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Exposure Draft (ED) 77, *Measurement* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Deputy Executive Director of Digital Economy, Reporting and Risk at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR NURMAZILAH DATO' MAHZAN**  
Chief Executive Officer

### Specific Matter for Comment 1

Do you agree an item that qualifies for recognition shall be initially measured at its transaction price, unless:

- That transaction price does not faithfully present relevant information of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes; or
- Otherwise required or permitted by another IPSAS?

If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

We agree with the proposal. Paragraph 10 of ED 77 states that “in some such cases, one or more current value measurement techniques are used to estimate the value of the asset or liability as a deemed cost on initial measurement”. Please refer to our response in Specific Matter for Comment 2.

However, we observed that other IPSASs do not use transaction cost for its initial measurement but remains at cost. For instance, paragraph 27 of IPSAS 16, Investment Property states that “investment property shall be measured initially at its cost (transaction cost shall be included in this initial measurement)”. We wish to clarify whether “transaction price” is similar to “cost”.

### Specific Matter for Comment 2

Do you agree after initial measurement, unless otherwise required by the relevant IPSAS, an accounting policy choice is made to measure the item at historical cost or at its current value? This accounting policy choice is reflected through the selection of the measurement model.

If not, please provide your reasons, stating clearly what principles are more appropriate, and why.

We noted that the proposed accounting policy choice is aimed to address various public sector issues and we agree on the proposal. Paragraph 18 of ED77 states that “in selecting a measurement model, an entity shall consider the characteristics of the item, measurement objective and the monetary information being presented”. We propose that a clear guidance explaining how characteristics of the item, measurement objective and the monetary information being presented be considered in determining the appropriate measurement model. A clear guidance should also be provided in determining the measurement basis to be used i.e. current operational value, cost of fulfillment or fair value.

### Specific Matter for Comment 3

In response to constituents’ comment letters on the Consultation Paper, *Measurement*, guidance on historical cost has been developed that is generic in nature (Appendix A: Historical Cost). Do you agree the guidance is appropriate for application by public sector entities?

**If not, please provide your reasons, stating what guidance should be added or removed, and why.**

We agree that the guidance is appropriate for application by public sector entities.

**Specific Matter for Comment 4—Appendix A (paragraphs A1–A6):**

**Do you agree no measurement techniques are required when applying the historical cost measurement basis in subsequent measurement?**

**If not, please provide your reasons, stating which measurement techniques are applicable to the subsequent measurement of an asset or liability measured at historical cost, and why.**

We agree that no measurement techniques are required when applying the historical cost measurement basis in subsequent measurement.

**Specific Matter for Comment 5—(paragraph 6):**

**Do you agree current operational value is the value of an asset used to achieve the entity's service delivery objectives at the measurement date?**

**If not, please provide your reasons, stating clearly what principles more appropriate for the public sector, and why.**

***The Exposure Draft includes an Alternative View on current operational value.***

We agree with the current operational value being used as the subsequent measurement for assets. However, we have concern on the income technique of the current operational value. Similar to our response in Specific Matter for Comment 3 of ED 76, as public sector entities often hold and use assets for their service potential (which enables an entity to achieve its objectives without necessarily generating net cash inflows), using the income technique may cause the asset being measured at inappropriately low amount and may be even lower than its transaction price. This will result in the reduction of the asset's value at the measurement date which may not be appropriate when the asset has higher remaining service potential.

**Specific Matter for Comment 6—Appendix B (paragraphs B1–B41):**

**Do you agree the proposed definition of current operational value and the accompanying guidance is appropriate for public sector entities (Appendix B: Current Operational Value)?**

**If not, please provide your reasons, stating clearly what definition and guidance is more appropriate, and why.**

We agree with the proposed definition. However, we propose for more guidance and clarification on the term ‘service delivery objectives’ as we believe that the service delivery objectives will guide entities on selecting the appropriate measurement bases and/or techniques.

For example, paragraph 39 of the Amendments to IPSAS 16 states that “an entity shall choose as its accounting policy either the current value model in paragraph 42-64 or the historical cost model in paragraph 65, and shall apply that policy to all of its investment property”. In other words, an entity has the option either to measure the investment property using current operational value or fair value. However, there is no clear guidance on deciding which basis to use. We believe that if the investment property is used to earn rental at market rates (i.e. economic benefits), it should be subsequently measured at fair value. However, if the investment property is used to be rented to small business owners at a discounted price (i.e. service potential), we believe that current operational value is more appropriate.

**Specific Matter for Comment 7—Appendix B (paragraphs B6–B7):**

**Do you agree the asset’s current operational value should assume that the notional replacement will be situated in the same location as the existing asset is situated or used?**

**If not, please provide your reasons, stating clearly why the asset should be measured at a different value.**

We agree with the proposal. However, we believe that the location factor may not be significant when income approach is used in comparison with the market approach and cost approach. For instance, location may have significant impact on the cost approach as construction cost of school in a rural area is generally cheaper than in the city. While, if using the income approach, the public school’s fees and the cost of running the school would be similar irrespective of the location of the school.

**Specific Matter for Comment 8—(paragraphs B38–B39):**

**Do you agree the income approach is applicable to estimate the value of an asset measured using the current operational value measurement basis?**

**If not, please provide your reasons, stating clearly why the income approach is not applicable for measuring current operational value.**

***The Exposure Draft includes an Alternative View on current operational value.***

Please refer to our comments in Specific Matter for Comment 6.

**Specific Matter for Comment 9—Appendix C (paragraphs C1–C89):**

**In response to constituents' comment letters on the Consultation Paper, *Measurement*, guidance on fair value has been aligned with IFRS 13, *Fair Value Measurement* (Appendix C: Fair Value). Do you agree the guidance is appropriate for application by public sector entities?**

**If not, please provide your reasons, stating what guidance should be added or removed, and why.**

We agree with the proposed guidance on fair value which that has been aligned with IFRS 13.

**Specific Matter for Comment 10—Appendix D (paragraphs D1–D48):**

**In response to constituents' comment letters on the Consultation Paper, *Measurement*, guidance on cost of fulfillment has been aligned with existing principles in the Conceptual Framework and throughout IPSAS (Appendix D: Cost of Fulfillment). Do you agree the guidance is appropriate for application by public sector entities?**

**If not, please provide your reasons, stating what guidance should be added or removed, and why.**

We agree with the proposed guidance on cost of fulfillment. However, we propose that clarification is provided on whether cost of fulfillment is used to non-financial liabilities only as all financial liabilities should be subsequently measured at amortized cost using the effective interest method except for certain financial liabilities as required by paragraph 49 of IPSAS 29 *Financial Instruments: Recognition and Measurement*.

**Specific Matter for Comment 11:**

**Do you agree measurement disclosure requirements should be included in the IPSAS to which the asset or liability pertains and not in ED 77?**

**If not, please provide your reasons, stating clearly where the measurement disclosure requirements should be included, and why.**

We agree that the measurement disclosure should be included in the respective IPSASs which is, similar to the approach in IFRS.

**Specific Matter for Comment 12:**

**Are there any measurement disclosure requirements that apply across IPSAS that should be included in ED 77, *Measurement*?**

**If yes, please provide your reasons, stating clearly what the disclosures are, and why.**

We do not have comments on any additional measurement disclosure requirements that apply across IPSAS that should be included in ED 77.

**Specific Matter for Comment 13:**

**Do you agree current value model disclosure requirements should be applied consistently across IPSAS? For example, the same disclosure requirements should apply to inventory and property, plant, and equipment when measured at fair value.**

**If not, please provide your reasons, stating clearly which IPSAS require more or fewer measurement disclosures, and why.**

We agree that the current value model disclosure requirements should be applied consistently across IPSASs.

**Specific Matter for Comment 14:**

**Do you agree with the proposal disclosure requirements for items remeasured under the current value model at each reporting date should be more detailed as compared to disclosure requirements for items measured using the current value model at acquisition as proposed in Appendix E: Amendments to Other IPSAS.**

**If not, please provide your reasons, stating clearly why disclosure requirements should be consistent for recurring items and non-recurring items measured using the current value model.**

We agree with the proposal since it is aligned with IFRS 13.

**Specific Matter for Comment 15:**

**Do you agree fair value disclosure requirements should include requirements to disclose inputs to the fair value hierarchy?**

**If not, please provide your reasons, stating clearly why disclosure requirements for inputs in the fair value hierarchy are unnecessary.**

We agree with the proposal since it is aligned with IFRS 13.