

## Swiss Comment to

### ED 78 Property, Plant, and Equipment

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## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed the ED 78 Property, Plant, and Equipment.

## 2. General Remarks

The SRS-CSPCP rates this ED generally positive and welcomes the fact that the whole standard has been re-written instead of being only partially revised. It finds that it is based on principles. The SRS-CSPCP considers it very positive that all fixed assets are now treated in the same way.

## 3. Specific Matter for Comment 1

*[Draft] IPSAS [X] (ED 78), Property, Plant, and Equipment proposes improvements to the existing requirements in IPSAS 17, Property, Plant, and Equipment by relocating generic measurement guidance to [draft] IPSAS [X] (ED 77), Measurement; relocating guidance that supports the core principles in this Exposure Draft to the application guidance; and adding guidance for accounting for heritage assets and infrastructure assets that are within the scope of the Exposure Draft.*

*Do you agree with the proposed restructuring of IPSAS 17 within [draft] IPSAS [X] (ED 78)? If not, what changes do you consider to be necessary and why?*

The SRS-CSPCP agrees in principle with the structure of the new IPSAS 17. It finds, however, that the linking of ED 77 (*Measurement*) and ED 78 (new IPSAS 17) is difficult to understand, because the terminology in the two EDs is not always applied in the same way. If there are differences of terminology, the SRS-CSPCP wishes that the IPSAS Board draw attention to this and mentions explicitly the reasons for such differences. For example, in Point 12 it is stated that initial measurement is at cost in Point 13, however, reference is made to ED 77. Therefore, one of these two points should be omitted (or the reason for keeping both explained).

A further example is the consequence of an acquisition with a «*lack of commercial substance*» per ED78.22/23. In ED 77.9 it is a transaction «*not undertaken in an orderly market*». The initial measurement must according to ED 78 be at *fair value*; whereas in ED 77 the initial measurement is at *deemed costs*. The result is probably similar, but because of the different terms it is extremely confusing. It is desirable that the terminology in the standards is consistent.

## 4. Specific Matter for Comment 2

*Do you agree that when an entity chooses the current value model as its accounting policy for a class of property, plant, and equipment, it should have the option of measuring that class of assets either at current operational value or fair value?*

*If not, please provide your reasons, stating clearly which current value measurement basis would best address the needs of the users of the financial information, and why.*

The SRS-CSPCP is of the opinion that this point can be supported, only if the *COV Approach* is accepted. But in its response to ED 77 the SRS-CSPCP in the General Remarks expressed its reservations to the *COV Approach*.

**5. Specific Matter for Comment 3**

*Are there any additional characteristics of heritage assets (other than those noted in paragraph AG3) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?*

*Please provide your reasons, stating clearly what further characteristics present complexities when accounting for heritage assets, and why.*

The SRS-CSPCP understands that the IPSAS Board leaves the definition of heritage assets, in particular of *natural features* fairly open. However, with such a broad definition comparisons will remain difficult and less meaningful, because every country itself will be entitled to decide which assets are classified as heritage assets. The SRS-CSPCP wishes that in a future *Consultation Paper on Natural Resources* this problem be addressed and a solution found (including within the scope of the various standards).

**6. Specific Matter for Comment 4**

*Are there any additional characteristics of infrastructure assets (other than those noted in paragraph AG5) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?*

*Please provide your reasons, stating clearly what further characteristics present complexities when accounting for infrastructure assets, and why.*

The SRS-CSPCP is of the opinion that no additional characteristics for infrastructure assets are necessary.

**7. Specific Matter for Comment 5**

*This Exposure Draft proposes to require disclosures in respect of heritage property, plant, and equipment that is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably.*

*Do you agree that such disclosure should be limited to heritage items?*

*If not, please provide your reasons, stating clearly the most appropriate scope for the disclosure, and why.*

The SRS-CSPCP points out that in this ED the expressions «*heritage assets*» and «*heritage items*» are both used. It would like the IPSAS Board to explain the difference between these two expressions and why two expressions are needed. Furthermore, the SRS-CSPCP is of the opinion that it is difficult to ensure the completeness of the information in the Notes, because the cost of providing the users with such information can be (too) great compared with the benefit to users. Furthermore, the disclosure should apply not only for heritage assets, but for all property, plant and equipment, whereby for cost-benefit reasons a materiality limit should be established (or the proposed standard should highlight the need for preparers to set such a limit). However, the SRS-CSPCP wonders whether the additional disclosure is of any use at all. The Notes are not intended to replace the statement of financial position and statement of financial performance, but only to supplement them. Theoretically it may seem a good idea, but in practice it is scarcely implementable and depending on the organizational unit the quantity differs considerably.

**8. Specific Matter for Comment 6**

*Do you agree with the Implementation Guidance developed as part of this Exposure Draft for heritage assets?*

*If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on heritage assets are required, and why.*

For the SRS-CSPCP the question of the implementation arises especially as for measurement in case of heritage assets. Also it wonders how the *useful life* of a heritage asset can be determined. An indefinite useful life should not be an option. Furthermore the control expression is unclear or depending on the nature of the heritage difficult to determine. In addition, the question arises as to what « irreplaceable » means in connection with the accounting of heritage assets. From that perspective the exposed elements remain rather elusive and thus hard to apply by preparers.

**9. Specific Matter for Comment 7**

*Do you agree with the Implementation Guidance developed as part of this Exposure Draft for infrastructure assets?*

*If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on infrastructure assets are required, and why?*

The SRS-CSPCP agrees with the *Implementation Guidance* for infrastructure assets.

Lausanne, September 23, 2021