

## Swiss Comments to

### Exposure Draft Conceptual Framework 3: Measurements of Assets and Liabilities

Table of Content	Page
1. Introduction.....	1
2. General Remarks .....	1
2.1 Specific Matter of Comment 1 .....	1
2.2 Specific Matter of Comment 2 .....	1
2.3 Specific Matter of Comment 3 .....	1
2.4 Specific Matter of Comment 4 .....	2

## 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 intercantonal Conference of Cantonal Finance Directors (Finance Ministers at the States level). One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *Exposure Draft Conceptual Framework 3: Measurements of Assets and Liabilities* and comments as follows.

## 2. General Remarks

In principle the SRS-CSPCP welcomes this paper and regards it as an important part of the Conceptual Framework.

### 2.1 Specific Matter of Comment 1

***Do you agree that the selection of a measurement basis should be based on the extent to which a particular measurement basis meets the objectives of financial reporting? If you think that there should be a measurement objective please indicate what this measurement objective should be and give your reasons***

The SRS-CSPCP finds it positive that the IPSASB does not indicate and permit a dominant measurement method, but various measurement methods. The measurement methods for the individual assets must be governed in the relevant individual standards. Furthermore it would be important to mention that the choice of the measurement method matches the use (or the aim) of the asset (e.g. asset for earning profit = market value, asset not for earning profit = valuation at cost, net selling price or value in use).

### 2.2 Specific Matter of Comment 2

***Do you agree with the current value measurement bases for assets that have been identified in Section 3? If not, please indicate which additional measurement bases should be included or which measurement bases should not be included in the Framework.***

The SRS-CSPCP agrees with the four proposals for calculating the fair value of an asset. In the public sector the value in use is important. It should be pointed out that in some cases this is difficult to calculate.

### 2.3 Specific Matter of Comment 3

***Do you agree with the approaches proposed in Section 4 for application of:***

***a) The fair value measurement model to estimate the price at which a transaction to sell an asset would take place in an active, open and orderly market at the measurement date under current market conditions. If not, please give your reasons***

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***b) The deprival value model to select or confirm the use of a current measurement basis for operational assets. If not, give your reasons.***

The SRS-CSPCP is of the opinion, and expressed this already in the CP of June 2011, that the *deprival value model* is rather complicated and difficult to apply. As a rule there is no active market for *operational assets*. In these circumstances, the replacement cost, the value in use and/or the net selling price can only be estimated, which is not very pertinent and above all provides no added value. According to the principle of "cost-benefit" enshrined in the first phase of the Conceptual Framework, historical cost is the simpler measurement basis than the *deprival value model* offers.

## **2.4 Specific Matter of Comment 4**

***Do you agree with the proposed measurement bases for liabilities in Section 5? If not, please indicate which additional measurement bases should be included or which measurement bases should not to be included in the Framework.***

The SRS-CSPCP proposes providing for liabilities a definition of „market value“ symmetric with the one available and given for assets. Such a definition is not included in Section 5.6.

Lausanne, March 7, 2013