

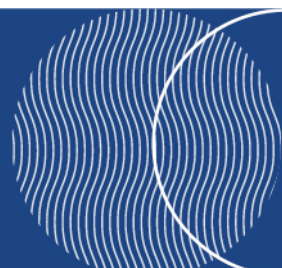
08 May 2026

The Chief Executive Officer
Accounting Standards Board
40 Church Square
Pretoria
0002

Email: info@asb.co.za

RE: EXPOSURE DRAFT ON PROPOSED AMENDMENTS TO CHAPTER 7 ON MEASUREMENT OF ASSETS AND LIABILITIES IN FINANCIAL STATEMENTS OF THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING – LIMITED SCOPE AMENDMENTS (ED 217)

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions on ED 217.
2. SAICA is South Africa's pre-eminent accountancy body and is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 50 000 members who are chartered accountants [CAs(SA)], associate general accountants [AGAs(SA)] and accounting technicians [ATs(SA)] who hold positions as chief executive officers, managing directors, board members, entrepreneurs, chief financial officers, auditors, and leaders in their respective spheres of operation.
3. Our work in the public sector goes beyond member support but also includes a significant focus on advocacy and capacity building to support and encourage an improvement in public finance management.
4. SAICA generally supports the amendments proposed in ED 217. Specifically, we support the inclusion of guidance on the initial measurement of assets and liabilities which was previously absent in the current Conceptual Framework. Furthermore, SAICA supports the inclusion of guidance on measurement bases of assets (current operational value and fair value).
5. However, SAICA notes that the introduction of current operational value as the measurement basis introduces a higher degree of judgement, particularly where assets are used for both service delivery and the generation of economic benefits. While ED 217 acknowledges the need for entities to assess whether an asset is held primarily for operational or financial capacity, SAICA remains concerned that, without sufficiently detailed implementation guidance, there is a risk of inconsistent application, reduced comparability and challenges in achieving faithful representation.
6. SAICA further observes that current operational value is, by its nature, an entity specific measurement that reflects the entity's policy objectives, opportunities and constraints which may limit the extent to which information prepared using this measurement basis can be meaningfully compared across entities, particularly where assets are used differently or where entities operate in dissimilar environments. The ASB is therefore encouraged to carefully balance the objectives of relevance and comparability when finalising the guidance.



7. In light of the above, SAICA recommends that the principles introduced in ED 217 be supplemented by practical guidance, illustrative examples and decision-making tools such as decision trees in the future Standard of GRAP on *Measurement*, and, where appropriate, in individual asset standards. Such guidance would assist preparers in applying judgment consistently, particularly in cases of mixed-use assets and changes in use over an asset's life, and would further support the production of high-quality, decision-useful financial information.
8. Further comments and recommendations are detailed below under **Annexure A: Detailed Comments on the Specific Matters for Comment**.
9. We would also appreciate the opportunity to engage further, and we would be willing to discuss the comments if required. Please do not hesitate to contact Odwa Benxa (odwab@saica.co.za) in this regard.

Kind regards,



Dr Mariska McKenzie
Chairperson: National Public Sector Committee



Natasha Soopal
Head of Public Sector and Ethics



Odwa Benxa
Lead: Public Sector Advocacy

ANNEXTURE A: DETAILED COMMENTS ON THE SPECIFIC MATTERS FOR COMMENT

No.	Specific Matter for Comment	Comment	Recommendation
1.	<p>Specific Matter for Comment 2</p> <p><u>7.22A Where an asset is used for service provision and also generates economic benefits, an entity that is using the current value model makes a judgement whether an asset is primarily held for operational capacity or financial capacity and selects the current operational value measurement basis, or the fair value measurement basis based on that analysis. In making such a judgement an entity has regard to the appropriate unit of account. Guidance on unit of account is provided in Chapter 6.</u></p>	<p>SAICA agrees that the entity would make a judgement whether an asset is primarily used for its operational or financial capacity where it is used for service provision and also generates economic benefits. Operational value or fair value measurement basis would be selected based on this judgement. However, there are instances where management may be unable to make the judgement due to the complexities of transactions. In addition, the use of the asset may change (temporarily or permanently) during its useful life. For example, a building initially acquired for service provision may be vacant and during this period, it may be temporarily rented out even though its primary use at initial recognition was operational capacity. Additional guidance may therefore be required in these instances.</p>	<p>The ASB should consider including guidance to assist preparers of financial statements in exercising judgement when determining whether an asset is held primarily for its operational capacity or its financial capacity. Such guidance should include illustrative examples of assets held primarily for operational capacity and those held primarily for financial capacity, to promote consistent interpretation and application.</p> <p>In addition, the ASB should consider providing guidance on changes in the use of assets, whether temporary or permanent, and the resultant implications for the recognition, classification and measurement of the affected assets. This would assist entities in appropriately reflecting changes in how assets contribute to service delivery or economic benefits</p> <p>This guidance could be presented in the form of decision trees and may be incorporated within the relevant Standards of GRAP that address the accounting treatment of the affected assets.</p>

No.	Specific Matter for Comment	Comment	Recommendation
2.	<p><u>7.23D The cost of services is reported in current terms when based on current operational value. Thus, the amount of assets consumed is related to the value of the assets at the time they are consumed - and not, as with historical cost, at the time they were acquired, constructed, or developed. This provides a basis for a comparison between the cost of services and the amount of taxes and other revenue received in the period - which are generally transactions of the current period and measured in current prices - and for assessing whether resources have been used economically and efficiently. It may also provide a useful basis for comparison with other entities that report on the same basis, as asset values will not be affected by different acquisition, construction, or development dates and for assessing the cost of providing services in the future and future resource needs.</u></p> <p><u>7.23H Current operational value information is comparable within an entity, as assets that provide equivalent service potential are stated at similar amounts, regardless of when those assets were acquired, constructed, or developed. Different entities may report similar assets at different amounts because current operational value is an entity-specific measure that reflects the opportunities available to the entity to obtain an asset to achieve an entity's policy objectives. These opportunities may be the same or similar for different entities. Where they are different, the economic advantage of an entity that is able to acquire, construct or develop assets at lower cost is reported in financial statements through lower asset values and a lower cost of services. This reinforces the ability of current operational value to provide relevant and faithfully representative information. The extent to which current operational value measures meet the qualitative characteristics of timeliness, understandability and verifiability depends on the nature of the asset and the estimation techniques used.</u></p>	<p>Paragraph 7.23B states that current operational value presents an entity-specific measurement of an existing asset held for its operational capacity. Furthermore, current operational value reflects the asset's existing use and location. As the current operational value reflects an entity-specific value, it may be difficult for this value to provide a useful basis for comparison with other entities that report on the same basis as the same assets may be used differently by different entities</p>	<p>As current operational value represents an entity-specific measurement basis, the ASB should reconsider the guidance that suggests it may provide a useful basis for comparison between entities that report on the same basis. In practice, identical or similar assets may be used for different purposes by different entities, resulting in differing existing uses and operational contexts. Consequently, the current operational value of such assets may not be comparable across entities, notwithstanding the use of the same measurement basis. Clarifying this limitation would enhance the understandability of the proposed guidance.</p>