Analysis of Disclosure Requirements Relating to AASB 136 *Impairment of Assets* arising from AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to AASB 136) with a View to Determining Corresponding Tier 2 Disclosure Requirements

Disclosure requirements in AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets*	Disclosure requirements in *IFRS for SMEs* Section 27 *Impairment of Assets*	Analysis
130 An entity shall disclose the following for each ~~material~~ impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit: …		Paragraph 130 has no equivalent in the *IFRS for SMEs* and, based on paragraph 3 of the 'Tier 2 Disclosure Principles' (and consistent with what would become the superseded version of IAS 36 *Impairment of Assets*), it should be excluded from the Tier 2 disclosure requirements, except as noted in the next two analysis paragraphs below. The removal of the redundant 'material' from the first sentence in paragraph 130 of AASB 136 would not substantively change its disclosure requirements. However, the first sentence in paragraph 130 should not be excluded from the Tier 2 disclosure requirements, because it leads in to the part of paragraph 130(e) that should be retained in the Tier 2 disclosure requirements (see immediately below).
(e) <u>the recoverable amount of the impaired asset and</u> whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use.		The amendment to paragraph 130(e) would require an additional disclosure, namely, the recoverable amount of the impaired asset. A Tier 2 entity would estimate the recoverable amount of each impaired asset in measuring the amount of recognised impairment losses. Thus, the additional cost to provide the proposed new disclosure under paragraph 130(e) would be expected to be minimal. Because this proposed addition to paragraph 130(e) is, in some sense, a relocated disclosure from paragraph 134(c), the question arises whether the current exclusion of paragraph 134(c) from the Tier 2 disclosure requirements implies this proposed addition to paragraph 130(e) should similarly be excluded from the Tier 2 disclosure requirements. However, the proposed addition of the new disclosure requirement in paragraph 130(e) would provide information at a lower level of aggregation than that of paragraph 134(c) and, in contrast to the similar disclosure currently in paragraph 134(c), would apply only to impaired assets. These differences are considered to warrant a different conclusion than that previously reached. Based on paragraphs 3(a) and 6(f) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, that additional part of paragraph 130(e) should be retained in the Tier 2

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		disclosure requirements (and the remainder of paragraph 130(e) should continue to be excluded from the Tier 2 disclosure requirements).
(f) if recoverable amount is fair value less costs of disposal, ~~the basis used to measure fair value less costs of disposal (such as whether fair value was measured by reference to a quoted price in an active market for an identical asset).~~ an entity shall disclose the following information:		
(i) a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, an entity shall disclose that change and the reason(s) for making it; (ii) the level of the fair value hierarchy (see IFRS 13) within which the fair value measurement of the asset is categorised in its entirety (without taking into account whether the 'costs of disposal' are observable); and		The proposed amendments to paragraph 130(f) would require additional disclosures in new paragraphs 130(f)(i) and 130(f)(ii), which are based on paragraphs 93(d) and 93(b), respectively, of AASB 13 *Fair Value Measurement*. Paragraphs 93(b) and 93(d) of AASB 13 were excluded from the Tier 2 disclosure requirements after applying paragraph 3(a) of the 'Tier 2 Disclosure Principles' [i.e., applying the 'user need' and 'cost-benefit' principles to new disclosure requirements] because: (1) those paragraphs were new disclosure requirements with no equivalents in the *IFRS for SMEs*; and (2) the cost to Tier 2 entities of those disclosures would be expected to exceed the benefits to users. Those reasons apply equally to proposed paragraphs 130(f)(i) and 130(f)(ii). Therefore, consistent with the decision to exclude paragraphs 93(b) and 93(d) of AASB 13 from the Tier 2 disclosure requirements, the corresponding paragraphs 130(f)(i) and 130(f)(ii) should also be excluded from the Tier 2 disclosure requirements.
(iii) for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset's (cash-generating unit's) recoverable amount is most sensitive and include the discount rate(s) used in the measurement if fair value less costs of		The proposed amendments to paragraph 130(f) would also require additional disclosures in new paragraph 130(f)(iii). Disclosures relating to: "… each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset's (cash-generating unit's) recoverable amount is most sensitive…" should be excluded from the Tier 2 disclosure requirements, as they are similar in nature to the disclosures required in paragraph 93(d) of AASB 13 and paragraph 134(d)(i) of AASB 136, both of which are also excluded from the Tier 2 disclosure requirements.

Disclosure requirements in AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets*	Disclosure requirements in *IFRS for SMEs* Section 27 *Impairment of Assets*	Analysis
<u>disposal is measured using a present value technique. An entity shall also disclose the discount rate used in the previous measurement (if any).</u> An entity is not required to provide the disclosures required by IFRS 13.		[Note: The disclosures required in paragraph 93(d) of AASB 13 were excluded from the Tier 2 disclosure requirements for the reasons set out in the analysis paragraph immediately above.] Disclosures required in the remainder of paragraph 130(f)(iii), namely: "…and include the discount rate(s) used in the measurement if fair value less costs of disposal is measured using a present value technique. An entity shall also disclose the discount rate used in the previous measurement (if any)" should be excluded from the Tier 2 disclosure requirements, as they are similar in nature to the disclosures required in paragraph 130(g) of AASB 136, which are also excluded from the Tier 2 disclosure requirements. [Note: The disclosures presently required in paragraph 130 of AASB 136 were excluded from the Tier 2 disclosure requirements because: (1) paragraph 130 has no equivalent in the *IFRS for SMEs*; and (2) based on paragraph 3 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, a requirement to make the disclosure is not appropriate.] In conclusion, paragraph 130(f)(iii) should be excluded from the Tier 2 disclosure requirements.
134 An entity shall disclose the information required by (a)–(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives: … (c) ~~the recoverable amount of the unit (or group of units) and~~ the basis on which the unit's (group of units') recoverable amount has been determined (ie value in use or fair value less costs of disposal).		Paragraph 134 has previously been excluded from the Tier 2 disclosure requirements because: (1) paragraph 134 has no equivalent in the *IFRS for SMEs* due to a recognition and measurement difference, namely, under the *IFRS for SMEs* no assets are presumed to have an indefinite life; and (2) based on paragraph 5 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, a requirement to make the disclosure is not appropriate. The amendment to paragraph 134(c) reduces the amount of disclosures required, and therefore does not change the status of paragraph 134, which should continue to be excluded from the Tier 2 disclosure requirements.