Staff Issues Paper: Forming Preliminary Board Views on IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36)

Introduction

1 The purpose of this paper is to set out preliminary views of AASB staff on the significant issues arising from IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36). Those significant issues are the issues raised in the IASB's questions for respondents to ED/2013/1.

2 IASB ED/2013/1 was incorporated in AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets*. To date, no comment letters have been received on AASB ED 235. It is expected that issues identified in this paper could form the basis of an AASB submission to the IASB, subject to additional issues (or contrary views) that might arise from subsequent comment letters to the AASB.

Disclosures of recoverable amount (Question 1)

3 AASB staff tentatively agree with the proposal to remove the requirement to disclose recoverable amount in paragraph 134(c) of IAS 36. That existing disclosure applies to particular cash-generating units regardless of whether an impairment loss has been recognised or reversed in respect of them during the period. Although information about the recoverable amount of particular cash-generating units that are not impaired [under existing paragraph 134(c)] would seem likely to be useful to users of financial statements, AASB staff tentatively think the additional cost and complexity of such disclosures are unlikely to be warranted by the benefits to users. Disclosing measurement attributes of non-financial assets (or groups of those assets) when the amount of those attributes exceeds the assets' carrying amount generally does not occur under a primarily historical cost-based reporting model. AASB staff note that removing the requirement to disclose recoverable amount in paragraph 134(c) of IAS 36 would reinstate the requirements of paragraph 134(c) existing before the amendments to IAS 36 resulting from the issue of IFRS 13 *Fair Value Measurement*.

4 AASB staff tentatively support the corresponding proposed addition of a requirement in paragraph 130(e) of IAS 36 to disclose the recoverable amount of impaired assets (including assets individually impaired) in respect of each impairment loss recognised or reversed during the period. Together with information about the amounts of impairment losses recognised during the period (including those in respect of individual assets) – which paragraph 130(b) of IAS 36 already requires to be disclosed – information about the recoverable amount of impaired assets would enable users to identify the previous carrying amount of impaired individual assets and the percentage by which those assets' carrying amounts have been written down.[1]

---

[1] However, AASB staff note that proposed disclosure of recoverable amount in the first part of paragraph 130(e) of IAS 36 would apply only to 'impaired assets'. This seems inconsistent with the lead-in of paragraph 130, which applies to "each impairment loss recognised or reversed during the period for an individual asset, including goodwill, *or a cash-generating unit*" (emphasis added). The preliminary view of AASB staff is that the Board's submission on IASB ED/2013/1 should suggest applying the disclosure requirement for recoverable amount to all items covered by the lead-in of paragraph 130. This is not a

Disclosures about the measurement of fair value less costs of disposal (Question 2)

5 AASB staff agree with the proposed amendments to paragraph 130(f) of IAS 36 to require more detailed disclosures about the measurement of fair value less costs of disposal when the entity has recognised or reversed an impairment loss during the period. In this regard, staff note that the proposed disclosure requirements in paragraphs 130(f)(i) and 130(f)(ii) correspond, respectively, to the disclosure requirements in paragraphs 93(d) and 93(b) of IFRS 13. These staff comments are made in the context of consistency with IFRS 13 and the apparent usefulness of the additional disclosures when assessed in the absence of a Disclosure Framework. AASB staff note that, in due course, when a Disclosure Framework is developed, the disclosures in IAS 36 and IFRS 13 would merit a comprehensive review – and, with the benefit of such a Framework, different conclusions might be reached about the appropriateness of particular required disclosures.

6 However, AASB staff tentatively think that, consistent with paragraph 93(d) of IFRS 13, disclosure of valuation techniques used to measure fair value less costs of disposal [in proposed paragraph 130(f)(i)] should only be required for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy in IFRS 13. This is because AASB staff think, also consistent with IFRS 13, Level 1 fair value measurements (using a quoted price in an active market for identical assets) would not require the use of valuation techniques.

7 In addition, AASB staff note the IASB's intention to retain a balance between the disclosures about fair value less costs of disposal and the disclosures about value in use, mentioned in paragraph BC1 of the IASB's Basis for Conclusions on the ED. AASB staff think a potential issue arises regarding whether the proposal for each key assumption to be disclosed in respect of <u>fair value less costs of disposal</u> [under proposed paragraph 130(f)(iii)] is inconsistent with paragraph 130(g) requiring no other key assumptions than discount rates to be disclosed in respect of <u>value in use</u>. Staff tentatively suggest that the Board considers encouraging the IASB to consider requiring disclosure of each key assumption on which management has based its determination of value in use, in paragraph 130(g) of IAS 36.

Transition provisions (Question 3)

8 AASB staff tentatively agree with retrospective application of the ED's proposed amendments, effective for annual periods beginning on or after 1 January 2014, subject to when each entity initially applies IFRS 13. Staff tentatively think the proposed timeframe is likely to provide sufficient lead time for adopting the proposed amendments to IAS 36.

Other comments (Question 4)

9 AASB staff have not identified any other substantive issues with the IASB ED.

Question for Board members

Q1 Do you tentatively agree with the AASB staff's preliminary views on the issues in this paper?

---

major point, but is noted in case Board members find the disconnect between the lead-in of paragraph 130 and the first part of paragraph 130(e) confusing.