

**AASB Exposure Draft**

**ED 235**  
January 2013

# **Recoverable Amount Disclosures for Non-Financial Assets**

**(Proposed Amendments to AASB 136)**

Comments to the AASB by 28 February 2013



**Australian Government**

---

**Australian Accounting  
Standards Board**

## Commenting on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 28 February 2013. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 19 March 2013. Comments should be addressed to:

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Victoria 8007  
AUSTRALIA  
E-mail: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Respondents to the IASB are asked to send their comments electronically to the IFRS Foundation website ([www.ifrs.org](http://www.ifrs.org)), using the 'Comment on a proposal' page.

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

## Obtaining a Copy of this AASB Exposure Draft

This AASB Exposure Draft is available on the AASB website: [www.aasb.gov.au](http://www.aasb.gov.au). Alternatively, printed copies of this AASB Exposure Draft are available by contacting:

The Customer Service Officer  
Australian Accounting Standards Board  
Level 7  
600 Bourke Street  
Melbourne Victoria  
AUSTRALIA

Phone: (03) 9617 7637  
Fax: (03) 9617 7608  
E-mail: [publications@asb.gov.au](mailto:publications@asb.gov.au)  
**Postal address:**  
PO Box 204  
Collins Street West Victoria 8007

## Other Enquiries

Phone: (03) 9617 7600  
Fax: (03) 9617 7608  
E-mail: [standard@asb.gov.au](mailto:standard@asb.gov.au)

## COPYRIGHT

© Commonwealth of Australia 2013

This document contains IFRS Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The Director of Finance and Administration, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the IFRS Foundation at [www.ifrs.org](http://www.ifrs.org).

ISSN 1030-5882

## **AASB REQUEST FOR COMMENTS**

The main proposal in this Exposure Draft is to amend AASB 136 *Impairment of Assets* to better represent the IASB's intention to require only the disclosure of the recoverable amount of assets, including goodwill, for which there was an impairment loss recognised or reversed during the reporting period, and associated information about that recoverable amount if it is determined as fair value less costs of disposal.

In light of the Australian Accounting Standards Board's (AASB's) policy of incorporating International Financial Reporting Standards (IFRSs) into Australian Accounting Standards, the AASB is inviting comments on:

- (a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and
- (b) the 'AASB Specific Matters for Comment' listed below.

Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents supplement their opinions with detailed comments, whether supportive or critical, on the major issues. The AASB regards both critical and supportive comments as essential to a balanced review and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

### **Due Date for Comments to the AASB**

Comments should be submitted to the AASB by 28 February 2013. This will enable the AASB to consider those comments in the process of formulating its own comments to the IASB. Constituents are also strongly encouraged to send their response to the IASB.

### **Reduced Disclosure Requirements**

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A separate consultative document will be issued for comment shortly after the issue of this Exposure Draft outlining the AASB's Tier 2 disclosure proposals in respect of this Exposure Draft.

### **AASB Specific Matters for Comment**

The AASB would particularly value comments on the following:

1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - (a) not-for-profit entities; and

- (b) public sector entities, including GAAP/GFS implications;
- 2. whether, overall, the proposals would result in financial statements that would be useful to users;
- 3. whether the proposals are in the best interests of the Australian economy; and
- 4. unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

January 2013

Exposure Draft ED/2013/1

# Recoverable Amount Disclosures for Non-Financial Assets

Proposed Amendments to IAS 36

Comments to be received by 19 March 2013

# **Recoverable Amount Disclosures for Non-Financial Assets**

(Proposed Amendments to IAS 36)

*Comments to be received by 19 March 2013*

Exposure Draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36) is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form as amendments to Standards. Comments on the Exposure Draft, the Basis for Conclusions and the Illustrative Examples should be submitted in writing so as to be received by **19 March 2013**. Respondents are asked to send their comments electronically to the IASB website ([www.ifrs.org](http://www.ifrs.org)), using the 'Comment on a proposal' page.

All responses will be put on the public record unless the respondent requests confidentiality. However, such requests will not normally be granted unless supported by good reason, such as commercial confidence.

The IASB, the IFRS Foundation, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

Copyright © 2013 IFRS Foundation®

ISBN: 978-1-907877-80-3

International Financial Reporting Standards (including International Accounting Standards and SIC and IFRIC Interpretations), Exposure Drafts, and other IASB publications are copyright of the IFRS Foundation. The approved text of International Financial Reporting Standards and other IASB publications is that published by the IASB in the English language. Copies may be obtained from the IFRS Foundation. Please address publications and copyright matters to:

IFRS Foundation Publications Department,  
1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.  
Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749  
Email: [publications@ifrs.org](mailto:publications@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

All rights reserved. Copies of the draft amendments and the accompanying documents may be made for the purpose of preparing comments to be submitted to the IASB, provided such copies are for personal or intra-organisational use only and are not sold or disseminated and provided each copy acknowledges the IFRS Foundation's copyright and sets out the IASB's address in full. Otherwise, no part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.



The IFRS Foundation logo/the IASB logo/'Hexagon Device', 'IFRS Foundation', 'eIFRS', 'IAS', 'IASB', 'IASC Foundation', 'IASCF', 'IFRS for SMEs', 'IASs', 'IFRIC', 'IFRS', 'IFRSs', 'International Accounting Standards', 'International Financial Reporting Standards' and 'SIC' are Trade Marks of the IFRS Foundation.

## CONTENTS

	<i>from page</i>
<b>INTRODUCTION</b>	<b>4</b>
<b>INVITATION TO COMMENT</b>	<b>5</b>
<b>[DRAFT] AMENDMENTS TO IAS 36 <i>IMPAIRMENT OF ASSETS</i></b>	<b>7</b>
<b>APPROVAL OF THE EXPOSURE DRAFT BY THE BOARD</b>	<b>9</b>
<b>BASIS FOR CONCLUSIONS</b>	<b>10</b>
<b>[DRAFT] AMENDMENTS TO THE ILLUSTRATIVE EXAMPLES OF IAS 36 <i>IMPAIRMENT OF ASSETS</i></b>	<b>12</b>



## Introduction

---

The International Accounting Standards Board (IASB) has published this Exposure Draft to set out proposed modifications to the disclosures in IAS 36 *Impairment of Assets* for the measurement of the recoverable amount of impaired assets. Those disclosure requirements were introduced by IFRS 13 *Fair Value Measurement*, issued in May 2011.

When developing IFRS 13, the IASB decided to amend IAS 36 to require the disclosure of information about the recoverable amount of impaired assets, particularly if that amount is based on fair value less costs of disposal. However, it has come to the IASB's attention that some of the amendments made to IAS 36 have resulted in the requirement being more broadly applicable than the IASB intended. In particular, the IASB had originally intended that the amendment would require an entity to disclose the recoverable amount of an asset (including goodwill) for which an impairment loss was recognised or reversed during the reporting period. However, instead, an entity is now required to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This Exposure Draft proposes amendments to IAS 36 that would better represent the IASB's intention for those disclosure requirements.

In addition, one of the amendments proposed in this Exposure Draft overlaps with an amendment to IAS 36 that had been proposed by the Exposure Draft *Annual Improvements to IFRSs 2010–2012 Cycle* published in May 2012. That Exposure Draft proposed an amendment that would require an entity to disclose the discount rate that was used in a present value technique in order to determine the recoverable amount of an impaired asset, regardless of whether that recoverable amount was based on fair value less costs of disposal or value in use. That proposal has been incorporated into this Exposure Draft and we are not requesting comments in response to this topic.

## Invitation to comment

---

The IASB invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) indicate the specific paragraph(s) to which they relate;
- (c) contain a clear rationale; and
- (d) describe any alternative that the IASB should consider, if applicable.

The IASB is not requesting comments on matters in IAS 36 that are not addressed in this Exposure Draft. Moreover, the IASB is not requesting comments on the proposed amendment to require an entity to disclose the discount rate used in a present value technique, because this topic was already subject to public comments during the *Annual Improvements to IFRSs 2010–2012 Cycle*. The IASB will consider the comments received on the *Annual Improvements Exposure Draft* as it finalises the proposals in this Exposure Draft.

The IASB will consider all comments received in writing by **19 March 2013**. In considering the comments, the IASB will base its conclusions on the merits of the arguments for and against each alternative, not on the number of responses supporting each one.

## Questions for respondents

---

### Question 1—Disclosures of recoverable amount

The IASB proposes to remove the requirement in paragraph 134(c) to disclose the recoverable amount of 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 when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB proposes to amend paragraph 130 to require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

**Question 2—Disclosures of the measurement of fair value less costs of disposal**

The IASB also proposes to include in paragraph 130 the requirement to disclose the following information about the fair value less costs of disposal of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period:

- (a) the valuation technique(s) used to measure fair value less costs of disposal and, if there has been a change in the valuation technique, that change and the reason(s) for making it;
- (b) the level of the fair value hierarchy 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
- (c) for fair value measurements that are categorised within Levels 2 and 3 of the fair value hierarchy, the key assumptions used in the measurement.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

**Question 3—Transition provisions**

The IASB proposes that the amendments should be applied retrospectively for annual periods beginning on or after 1 January 2014. The IASB also proposes to permit earlier application, but will not require an entity to apply those amendments in periods (including comparative periods) in which the entity does not also apply IFRS 13.

Do you agree with the proposed transition method and effective date? If not, why and what alternative do you propose?

**Question 4—Other comments**

Do you have any other comments on the proposals?

**[Draft] Amendments to IAS 36 *Impairment of Assets***

Paragraphs 130 and 134 are amended and paragraph 140J is added. New text is underlined and deleted text is struck through.

**Disclosure**

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:

...

(e) the recoverable amount of the impaired asset and whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use.

(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

(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 disposal is measured using a present value technique. An entity shall also disclose the discount rate used in the previous measurement (if any).

An entity is not required to provide the disclosures required by IFRS 13.

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).

### **Transition provisions and effective date**

---

...

140J In [date] 2013 paragraphs 130 and 134 were amended. An entity shall apply those amendments retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.

**Approval by the Board of *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36) published in January 2013**

---

The Exposure Draft *Recoverable Amount Disclosures for Non-Financial Assets* was approved for publication by fourteen members of the International Accounting Standards Board. Ms Tokar abstained because she had only recently been appointed to the Board.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Martin Edelmann	
Jan Engström	
Patrick Finnegan	
Amaro Luiz de Oliveira Gomes	
Prabhakar Kalavacherla	
Patricia McConnell	
Takatsugu Ochi	
Darrel Scott	
Chungwoo Suh	
Mary Tokar	
Wei-Guo Zhang	

## **Basis for Conclusions on the Exposure Draft *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36)**

*This Basis for Conclusions accompanies, but is not part of, the proposed amendments.*

### **Changes as a result of IFRS 13 *Fair Value Measurement***

---

#### **Recoverable Amount Disclosures for Non-Financial Assets**

- BC1 As a consequence of issuing IFRS 13 *Fair Value Measurement*, the IASB modified some of the disclosure requirements in IAS 36 *Impairment of Assets* for measuring the recoverable amount of impaired assets. Those amendments resulted from the IASB's decision to require additional disclosures about the measurement of the recoverable amount of impaired assets, particularly when the recoverable amount was based on fair value less costs of disposal. The IASB intended to require information about how such fair values were measured, but also wanted to retain a balance between the disclosures about fair value less costs of disposal and the disclosures about value in use.
- BC2 After issuing IFRS 13, the IASB was made aware that one of the amendments that Standard made to IAS 36 resulted in the disclosure requirements being more broadly applicable than the IASB had intended. That amendment required the disclosure of the recoverable amount of any cash-generating units with a significant carrying amount of goodwill or intangible assets with indefinite useful lives. However, the IASB's intention was to require only the disclosure of the recoverable amount of assets, including goodwill, for which there was an impairment loss recognised or reversed during the reporting period.
- BC3 Consequently, the IASB proposes to amend paragraphs 130 and 134 to make clear the IASB's intention that the requirement stipulates the disclosure of the recoverable amount of impaired assets, including goodwill, only. The IASB also proposes to amend paragraph 130 to require information about the fair value measurement when the recoverable amount is based on fair value less costs of disposal, consistently with the disclosure requirements for impaired assets in US GAAP. The IASB considered whether there should be consistency between the wording of the disclosure requirements in IAS 36 (which uses the term 'assumptions') with the measurement requirements in IFRS 13 (which uses the term 'inputs'). The IASB concluded that it is unlikely that those terms could have different meanings because IFRS 13 defines 'inputs' as "the **assumptions** that market participants would use when pricing the asset or liability..." [emphasis added]. In addition, the IASB wanted to make it clear that the proposed amendment does not change the meaning of the information that is required to be disclosed in accordance with IAS 36. Furthermore, the IASB proposes to remove the term 'material' from paragraph 130. The IASB concluded that it is unnecessary to state explicitly that the disclosure relates to a material impairment loss recognised or reversed during the period because all IFRSs are governed by the concept of materiality as described in IAS 1 *Presentation*

of *Financial Statements* (see in particular paragraph 31 of IAS 1) and in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- BC4 The proposed amendments overlap with an amendment to paragraph 130(f) of IAS 36 that was proposed in the Exposure Draft *Annual Improvements to IFRSs 2010–2012 Cycle* (ED/2012/1) published in May 2012. The proposal in that Exposure Draft was intended to harmonise the disclosure requirements for value in use and fair value less costs of disposal by adding to paragraph 130(f) the requirement to disclose the discount rate(s) that are used in the current and previous measurements, if any, when the fair value less costs of disposal is measured using a present value technique. Sixty-four respondents commented on that proposal. Nearly all of those respondents supported that proposed amendment.
- BC5 When discussing whether to add paragraph 130(f)(iii) to IAS 36, the IASB considered whether the discount rate that is used in a present value technique would be a ‘key assumption’ as described in that proposed new paragraph. Although the IASB concluded that it would be unlikely that an entity could consider the discount rate not to be a key assumption, it wanted to ensure that an entity would always disclose the discount rate if fair value less costs of disposal is based on a present value technique. Requiring that disclosure would also align the disclosures about fair value less costs of disposal with those about value in use, which require disclosure of the discount rate used. Consequently, the IASB proposes to require an entity to explicitly disclose the discount rate, in addition to the other key assumptions used in the measurement of fair value less costs of disposal. As a result of that decision, the IASB decided not to proceed with the amendment to IAS 36 as proposed in ED/2012/1, but to instead incorporate it into the proposed amendments in this Exposure Draft.
- BC6 The IASB proposes to require an entity to apply the amendments retrospectively. The IASB also proposes to permit earlier application of the amendments. However, if an entity applies the amendments early, it is not required to provide comparative information for the prior period if it is not also providing comparative information in accordance with IFRS 13. In the IASB’s view, the result of applying the proposed amendments should be the same as if the entity applied them when it initially applied IFRS 13.



## [Draft] Amendments to the Illustrative Examples of IAS 36 Impairment of Assets

Example 10 is added.
----------------------

### Example 10 Disclosures about fair value less costs of disposal

The purpose of this example is to illustrate the disclosures required by paragraphs 130(b) and 130(f)(ii) of IAS 36.

IE90 If the recoverable amount of an individual asset, including goodwill, or a cash-generating unit for which an impairment loss is recognised, or reversed during the reporting period, is fair value less costs of disposal, IAS 36 requires an entity to disclose the level of the fair value hierarchy 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). An entity might disclose the following information to comply with paragraphs 130(b) (which requires disclosure of the amount of an impairment loss or reversal) and 130(f)(ii) of the IAS 36:

(CU in millions)	Description	31/12/X9	Recoverable amount (based on fair value less costs of disposal) at the end of the reporting period using			Impairment recognised during the period	
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	(Losses)	Reversals
	Land <sup>(a)</sup>	75			75	(25)	0
	Goodwill <sup>(b)</sup>	30			30	(35)	n/a

(a) In accordance with IAS 36, land with a carrying amount of CU100 million has been written down to its fair value less costs of disposal of CU75 million, resulting in an impairment loss of CU25 million, which was included in other expenses in profit or loss for the period.

(b) In accordance with IAS 36, goodwill with a carrying amount of CU65 million has been written down to its implied fair value less costs of disposal of CU30 million, resulting in an impairment loss of CU35 million, which was included in other expenses in profit or loss for the period.