



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	19 August 2014
<b>From:</b>	<b>Evelyn Ling &amp; Jim Paul</b>	<b>Agenda Item:</b>	16.1 (M140)
<b>Subject:</b>	<b>Fair Value Measurement – Implementation Issues of Not-for-Profit entities</b>	<b>File:</b>	

## Action

To obtain an overview of current constituent concerns in relation to the application of AASB 13 by not-for-profit entities, and decide the next steps on each issue.

## Attachments

- Agenda Paper 16.2    Issues paper: AASB 13 *Fair Value Measurement* Disclosures for Not-for-Profit Entities – Implementation Issues
- Agenda Paper 16.3    Issues paper: The Relationship between Current Replacement Cost as a Measure of Fair Value and Depreciated Replacement Cost as a Measure of Value in Use
- Agenda Paper 16.4    Issues paper: Potential Inconsistencies between AASB 13 and Other Australian Accounting Standards
- Agenda Paper 16.5    Correspondence from Sydney Water dated 8 July 2014

## Overview

At its July 2014 meeting, the Board noted that Sydney Water had raised a formal submission seeking clarification of the use of the “cost approach” under AASB 13 *Fair Value Measurement* for not-for-profit entities. The Board requested staff to prepare an analysis of the issue for consideration at its September 2014 meeting.

Board members and staff both noted that other queries had been previously received with regards to the implementation of AASB 13 by not-for-profit entities, including relating to the relationship between depreciated replacement cost as value in use and current replacement cost as a measure of fair value, and the volume of disclosure required for not-for-profit entities holding primarily Level 3 assets. Staff signalled their intent to also prepare an analysis of these issues for consideration by the Board at the same time.

## Background

AASB 13 *Fair Value Measurement* was issued in September 2011, applicable to annual reporting periods beginning on or after 1 January 2013. The Standard defines fair value and sets out a framework for measuring the fair value of both financial and non-financial assets.

In relation to not-for-profit entities, the Board considered the application of IFRS 13 to not-for-profit entities at its meetings in March 2011 and June 2011, and decided not to include any modifications to IFRS 13 in AASB 13. However, at its June 2011 meeting, the Board decided to consider clarifying AASB 136 *Impairment of Assets*, to address the fact that AASB 13 treats depreciated replacement cost as a measure of fair value whereas, for not-for-profit entities, AASB 136 treats depreciated replacement cost as a measure of value in use. It requested staff to review this difference and provide an analysis at a future AASB meeting in time for the issue to be resolved before IFRS 13 becomes mandatory.<sup>1</sup> Due to staff resourcing constraints, staff are only now able to bring this matter back to the Board for consideration.

As part of the Board's deliberations before issuing AASB 13, the Board also decided to monitor the Australian implementation experience regarding concerns expressed in the Board's submissions to the IASB on ED/2009/5 *Fair Value Measurement* and ED/2010/7 *Measurement Uncertainty Analysis Disclosure for Fair Value Measurement* which were not addressed in IFRS 13 and, where appropriate, bring issues to the attention of the IASB.<sup>1</sup>

## Next steps

At this Board meeting, staff are seeking the Board's direction on not-for-profit entity:

- (a) disclosure concerns; and
- (b) measurement issues that have arisen with respect to the relationship between current replacement cost, as referred to in AASB 13, and depreciated replacement cost, as used in other Australian Accounting Standards.

The next steps will be dependent on the Board's decisions at this meeting, but could be to activate a project to consider, against the *Process for Modifying IFRSs for PBE/NFP*, whether AASB 13 should be modified for application by NFP entities.

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<sup>1</sup> Refer AASB June 2011 meeting minutes: [http://www.aasb.gov.au/admin/file/content102/c3/Minutes\\_unsigned\\_8-9\\_June\\_2011.pdf](http://www.aasb.gov.au/admin/file/content102/c3/Minutes_unsigned_8-9_June_2011.pdf)