



Thorough. Attentive. Earnest

30 July 2014

Mr Angus Thomson  
Acting Chairman - Australian Accounting Standards Board  
PO Box 204  
Collins St West  
VIC 8007

Dear Mr Thomson,

**AASB116 – Definition of Residual Value**

I am aware that the AASB has received a submission from DG & AB Maxwell Consulting Accountants (copy attached) seeking to insert an "Aus" paragraph applicable to not-for-profit entities.

The submission arose following discussion at the NSW Local Government Auditors Association annual workshop where it was apparent that there is inconsistency in the way in which residual value in relation to infrastructure assets (roads, water reticulation, sewer networks etc.) is being interpreted, with two apparent camps:

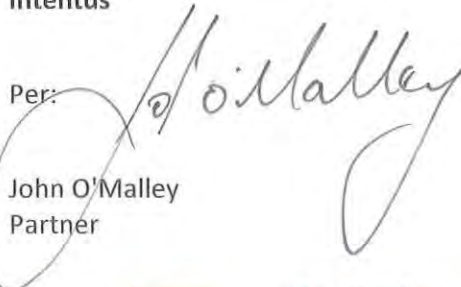
1. those who see residual value strictly as sale proceeds less costs to dispose which typically would be a nil value; and
2. those who interpret sale proceeds more broadly, to include the reduction in outgoings necessary to restore service potential as a result of the salvage value of the existing asset.

As an auditor working with a significant number of local government bodies, I encounter this issue regularly and believe that the recommendation contained in the submission by DG & AB Maxwell would bring greater clarity to the issue.

I commend the submission by DG & AB Maxwell to the Board and would be happy to provide further explanation or commentary should the Board wish.

Yours faithfully

intentus

Per:   
John O'Malley  
Partner



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