Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Emerging Issues**	**Meeting**	AASB October 2015 (M148)
Topic:	**IPSASB ED 57** *Impairment of Revalued Assets*	**Agenda Item:**	21.1
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		Decision-Making:	n/a
		Project Status:	n/a

Introduction and objective of this paper

1 The objective of this paper is to inform the Board about a forthcoming Exposure Draft to be issued by IPSASB, ED 57 *Impairment of Revalued Assets*.

Link to IPSASB project

http://www.ipsasb.org/system/files/meetings/files/Agenda_item_4_combined-v1.pdf

Link to AASB's related project summary

http://www.aasb.gov.au/admin/file/content102/c3/Depreciated_Replacement_Cost_for_Not-for-Profit_Public_Sector_Entities_Project_Summary.pdf

Issues to be considered

2 IPSASB will soon issue ED 57. ED 57 responds to a concern raised by NZ that when assets are revalued by class, there is ambiguity when there is impairment of a single asset within the class, for example because of fire, as to what revaluation of all assets within that class requires in practice (see paragraph 36 of AASB 116 *Property, Plant and Equipment*)

Question 1 for the Board
Do members think this is an issue in Australia in practice? Is it onerous?

3 ED 57 argues that a clarification that 'impairment of one asset within the class does not trigger revaluation of the whole class' would not suffice in dealing with the above concern. ED 57, therefore, proposes to resolve this issue by bringing revalued assets within the scope of its impairment standards. It is argued that impairments are distinct from revaluations and should be disclosed separately. A practical issue is that it is unclear what proportion of a change in value of a revalued asset relates to impairment unless an asset is tested for impairment.

4 Staff note ED 57 is moving away from the substance of paragraph AUS5.1 proposed by AASB ED 269 *Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities*, which states:

> "Many assets of not-for-profit entities that are not held primarily for their ability to generate net cash inflows are typically specialised assets held for continuing use of their service capacity. Given that these assets are rarely sold, their cost of disposal is typically negligible. Accordingly, the recoverable amount of such assets is expected to be materially the same as fair value, determined under AASB 13 *Fair Value Measurement*."

Staff note the need to consider this issue when re-deliberating ED 269 in the light of constituents' comments and for the purpose of AASB's submission on IPSASB ED 57.