18 November 2015

Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Online submission via aasb.gov.au

Dear Ms Peach

AASB ED 269 *Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities*

William Buck would like to provide you with our comments on AASB ED 269 *Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities* as our client base includes many not-for-profit entities (NFPs) that would be impacted by the proposals in the ED. In particular, we are concerned about the impact the proposals will have on our public sector NFPs.

Whilst we agree with the reasons behind the proposals, they do not seem to consider the situation where a NFP carries non-cash-generating specialised assets at fair value. In this situation, there will be no impairment test for the specialised asset because the carrying amount of fair value will always equal the recoverable amount. Therefore we recommend that additional guidance be provided to assist NFPs in determining an appropriate recoverable amount so that an impairment test can be performed when indicators of impairment exist for specialised assets that are carried at fair value.

Due to our extensive experience working with NFPs, we consider ourselves to be the voice of the smaller NFP space and our comments in the attached appendix in response to the specific questions in the ED reflect their concerns with the proposals. If you wish to discuss our comments further, please contact Anna Adamidis at anna.adamidis@williambuck.com.

Yours faithfully
William Buck

L.E. Tutt
Director
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APPENDIX

Specific Matters for Comment
1 *Whether to delete references to depreciated replacement cost (DRC) as a measure of value in use from AASB 136 (paragraphs 5 – 6 of this Exposure Draft)*

We do not agree with this proposal because the removal of this reference will effectively mean that there is no impairment test for our NFP clients in the public sector with infrastructure assets measured at fair value. Without DRC as a measure of value in use, NFPs with non-cash-generating specialised assets carried at fair value will not be able to determine a recoverable amount under AASB 136 because the carrying amount will always equal the recoverable amount (ie fair value, given costs of disposal are negligible).

2 *Whether:*
(a) the proposed paragraph Aus5.1 clarifies the role of AASB 13 in determining the recoverable amount of primarily non-cash-generating specialised assets of not-for-profit entities generally held for continuing use of their service capacity (paragraph 7 of this Exposure Draft);
(b) there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities (such as GAAP/GFS implications);
(c) overall, the proposals would result in financial statements that would be useful to users; and
(d) the proposals are in the best interests of the Australian economy.

We consider that the proposed paragraph Aus5.1 only provides clarification to NFPs that carry their non-cash-generating specialised assets at cost. It does not provide enough guidance to NFPs that fair value their non-cash-generating specialised assets (such as roads and bridges) and as such, it does not allow for an impairment test under AASB 136 to be performed since the carrying amount (being fair value) will always equal the recoverable amount (also fair value since costs of disposal are negligible).

Therefore we do not agree that the proposals overall would result in useful financial statements for users and we do not believe the proposals are in the best interest of the Australian economy.

We recommend that the AASB provide additional guidance to help NFPs that fair value their specialised assets determine an appropriate recoverable amount to enable an impairment test to be performed.

3 *Unless already provided in response to specific matters for comment 1 – 2 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.*

We consider that there may be additional costs involved in determining an appropriate recoverable amount for those NFPs that fair value their specialised assets.