AASB Exposure Draft

Tier 2 Supplement to ED 235
May 2013

Recoverable Amount Disclosures for Non-Financial Assets

(Proposed Amendments to AASB 136)

Comments to the AASB by 15 July 2013

Australian Government

Australian Accounting Standards Board

Invitation to Comment

Comments on this Tier 2 Supplement to AASB Exposure Draft ED 235 are requested by 15 July 2013.

Comments should be addressed to:

The Chairman
Australian Accounting Standards Board
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Collins Street West Victoria 8007
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E-mail: standard@aasb.gov.au

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 those submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this Tier 2 Supplement to AASB Exposure Draft ED 235

This Tier 2 Supplement to ED 235 is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this Exposure Draft are available by contacting:

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Background

In January 2013, the IASB published ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets*, for comment to the IASB by 19 March 2013. ED/2013/1 contains proposals to amend IAS 36 *Impairment of Assets* to better reflect the IASB's intention to require disclosure of the recoverable amount of only those assets, including goodwill, for which there was an impairment loss recognised or reversed during the reporting period, and to require disclosure of additional information about that recoverable amount if it is determined as fair value less costs of disposal.

Consistent with its policy of adopting International Financial Reporting Standards (IFRSs), in January 2013 the AASB published AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets* (for comment to the AASB by 28 February 2013), which incorporates IASB ED/2013/1. The AASB's response to IASB ED/2013/1 is available on the AASB website under Work in Progress/Submissions from AASB.

This Exposure Draft sets out the disclosures proposed in AASB ED 235 from which it is proposed entities applying Tier 2 reporting requirements should be exempt. The proposals in this Exposure Draft should not be seen as any indication of AASB support or otherwise for the IASB's proposals in IASB ED/2013/1. That will be determined through the AASB ED 235 due process.

ANALYSIS OF PROPOSED DISCLOSURES

The AASB's conclusions in relation to proposed Tier 2 disclosure requirements in this Exposure Draft have been reached after applying its usual approach to the analysis of the disclosures proposed in AASB ED 235 compared with disclosures set out in the IASB's *IFRS for SMEs* and application of the AASB's 'Tier 2 Disclosure Principles'. Those principles and that analysis are available on the AASB website under Work in Progress/Reduced Disclosure Requirements.

AASB Specific Matters for Comment

The purpose of this Tier 2 Supplement to AASB ED 235 is to seek comment on the disclosure requirements that should apply to Tier 2 entities.

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.

The AASB would particularly value comments on the following:

1. whether you agree with the AASB disclosure proposals regarding the proposed new disclosures in paragraph 130 of IAS 36 in relation to Tier 2 entities as set out in the Proposed Reduced Disclosure Requirements section below;

2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of these proposals, particularly any issues relating to:

    (a) not-for-profit entities; and

    (b) public sector entities, including GAAP/GFS implications;

3. whether, overall, these proposals would result in financial statements that would be useful to users;

4. whether these proposals are in the best interests of the Australian economy; and

5. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

Proposed Reduced Disclosure Requirements

Under the proposals in this Tier 2 Supplement to AASB ED 235, Tier 2 entities would be required to make the new disclosures proposed in AASB ED 235 in relation to paragraph 130(e) of IAS 36, with exemptions from all other new disclosures proposed in relation to paragraph 130(f) of IAS 36.

The disclosures proposed in AASB ED 235 are provided below. Entities applying Tier 2 requirements are proposed to be exempted from applying disclosure requirements shown as shaded text.

PROPOSED REDUCED DISCLOSURE REQUIREMENTS: AASB ED 235

IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets*, which was incorporated into AASB's Tier 1 proposals in Exposure Draft ED 235 of the same name, was accompanied by the IASB's Basis for Conclusions. That Basis for Conclusions provides a context to the proposals in that Exposure Draft.

The underlined and struck through text in the following is the same as that in AASB ED 235 (and IASB ED/2013/1). New text is underlined and deleted text is struck through.

130 An entity shall disclose the following for each ~~material~~ impairment loss recognised or reversed during the period for an individual l 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).