




ACT
Government

Chief Minister, Treasury and
Economic Development

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

Dear Ms Peach 

Exposure Draft (ED) 269 Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on the Exposure Draft: ED 269 *Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities*.

The majority of HoTARAC strongly supports the changes proposed to AASB 136 *Impairment of Assets* in ED 269.

The majority of HoTARAC members agree that values calculated using current replacement cost under AASB 13 *Fair Value* will be materially the same as those calculated using depreciated replacement cost (DRC) under AASB 136, when applied by not-for-profit entities. Therefore, the majority of HoTARAC supports the removal of references to using DRC as a measure of value in use for not-for-profit entities.

On the specific matters for comment HoTARAC:

- agrees that proposed paragraph Aus5.1 clarifies the role of AASB 13 in determining recoverable amount of primarily non-cash-generating specialised assets;
- is not aware of any regulatory or other issues affecting implementation;
- has a majority view that the proposals would result in financial statements that would be useful to users;
- has no comment on whether the proposed changes are in the best interests of the Australian economy; and
- has a majority view that there are no costs of the proposed changes, benefits include the removal of unnecessary duplication, simplification of reporting requirements and potential cost savings (as there is no longer a requirement to value these assets using a different method, efficiencies may be gained when applying AASB 13 *Fair Value*).

However, one jurisdiction has expressed the view that the pragmatic 'fix' proposed in the exposure draft does not fully address the valuation issues that gave rise to the project. The jurisdiction considers that the proposal's assumption that 'entry price' depreciated replacement cost (DRC) valuations converges with 'exit price' current replacement cost (CRC) valuations holds true only for certain circumstances. It considers that this convergence fails immediately as depreciation in DRC is

not materially similar to obsolescence, according to paragraph B9 of AASB 13 *'Fair Value Measurement'*. Moreover, the respective fair value measurement standards lack a precise definition of current replacement cost (CRC) when compared to the definition of depreciated replacement cost (DRC) in AASB 136 *'Impairment of Assets'*. The jurisdiction is of the view that utilising the less well defined 'exit price' valuation methodology as a proxy for 'value in use' will result in preparers remaining wholly reliant on Valuers for valuations, despite valuations not being required annually by paragraph 34 of AASB 116 *'Property, Plant and Equipment'*.

Yours sincerely



David Nicol

CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

12 November 2015