

File:APC

14 April 2015

Australian Accounting Standards Board
Level 7, 600 Bourke Street
MELBOURNE VIC 3000

Dear Sir

RESIDUAL VALUES AASB 116

Council refers to the AASB's tentative decision on Residual Values (Feb 2015) as it relates to Local Government Infrastructure Assets.

Council is of the view that the AASB tentative decision is unfairly narrow in its conclusions regarding Residual Value (as defined in AASB 116).

Under AASB 116, Residual Value is defined as:

"the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life".

Council is of the belief that the concept of residual values in the determination of infrastructure assets valuations is a valid valuation methodology and is consistent with the current definition of "Residual Value" as per AASB 116:

1. An "estimated amount" can be determined based on the difference between the assets complete replacement cost and its reuse or recycled replacement cost,
2. An entity will "currently obtain" the "amount" by paying a reduced cost of replacement,
3. The "amount" obtained is clearly the result of the "disposal" of the asset at the time of its refurbishment.

Council is aware of a number of submissions being presented in support of the residual value principle as it applies to the valuation of infrastructure assets for Not for Profit entities and urges the Board to review its earlier decision.

Yours Faithfully



Tony Curtin