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Sent: Friday, 17 April 2015 10:51 AM
To: AASB Mailbox
Subject: Asset Residual Values

Good morning

I refer to the AASB's tentative decision on Residual Values (February 2015) as it relates to Local Government Infrastructure Assets, and in particular the reuse or recycling of part of an infrastructure at its replacement date, and therefore lower future replacement costs.

Mid-Western Regional Council would like to register our 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”.*

Regarding the “re-use/recycling” of part of an infrastructure asset that is being replaced, we believe that the benefit from “re-use/recycling” does indeed fit within the current definition of “Residual Value” as per AASB 116:

1. An “estimated amount” can be determined in dollar terms (based on the difference between the assets complete replacement cost and the recycled replacement cost);
2. An entity will “currently obtain” the “amount” by paying a reduced cost of replacement (that is, cost savings do have value and are “obtained” by the entity when achieved by keeping the extra cash not required to be outlaid),
3. The “amount” obtained is clearly the result of the “disposal” of the asset - being its replacement/refurbishment with a new asset.

As such, Council feels the current definition of Residual Value as per AASB 116 *is* in fact readily applicable to the cost savings Council can earn or utilise by reusing or recycling (or taking early replacement) action that utilises part of the existing asset (as opposed to deferring replacement until the asset fails and requires total replacement).

We have read the dissenting submissions on the AASB's website from APV and Coalface Consulting Accountants - arguably both local government experts in their respective fields. We would hope the AASB Board take these two comprehensive submissions plus our own into account and review their tentative decision on residual values once again.

If the AASB does not want the impacts of such an extended “recycling/re-use” residual value to flow on to For-Profit entities, we question why the AASB would not enunciate a Not-for-profit Aus paragraph to clarify the residual value definition for Not-for-profit entities only.

If the AASB Board is unwilling to extend the definition of residual values to include a recycling/re-use aspect, we respectfully request they consider - in the face of the dissenting submissions from industry experts and participants - having the matter reviewed by the IASB's Technical Panel.

Should you have any queries in relation to this submission, please do not hesitate to contact me.

Kind regards, Clare

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