



Agenda Item 4: Impairment of Revalued Assets

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IPSASB Meeting
September 22-25, 2015
Toronto, Canada

Objective and Material Presented

- **Objective**
 - Approve ED 57, *Impairment of Revalued Assets*
- **Material(s) Presented**
 - Agenda Item 4.1 Issues Paper
 - Agenda Item 4.2 Draft ED 57

Introduction (Issues Paper paragraphs 1-2)

- Project approved: June 2015
 - Delays if included in measurement project
 - Too technically significant for Improvements

Background (Issues Paper paragraphs 3-10)

- IPSAS 21, *Impairment of Non-Cash-Generating Assets* includes scope exclusions:
 - Investment property measured using fair value model
 - Non-cash-generating property plant and equipment (P,P &E) measured at revalued amounts
 - Non-cash-generating intangibles measured at revalued amounts
- Investment property not considered further
 - Not in scope of IAS 36, *Impairment of Assets*

Background (Issues Paper paragraphs 4-8)

- Rationale for exclusion from IPSAS 21
 - Sufficiency of regularity of revaluation with impairments taken into account in revaluation
 - Any difference between carrying amount and fair value less costs to sell will be disposal costs and these not likely to be material
 - Recoverable service amount v recoverable amount
 - Non replication of IAS 36 requirements re: cash generating units
 - Adopted by the IPSASB in 2000
 - Drawn from IASC's 1989 Framework
- Staff proposal to delete as editorial in early 2013 rejected

Background (Issues Paper paragraphs 9-10)

- Rationale for exclusion from IPSAS 26, *Impairment of Cash-Generating Assets*
 - Reiterated much of IPSAS 21 reasoning
 - Recognized use of cash flow techniques for specialized cash-generating assets
 - Questioned whether public sector entities (other than GBEs) have specialized cash-generating assets

Consequences of Scope Exclusion (Issues Paper paragraphs 11-13)

- Representation from NZXRB
 - Raised by constituents including preparers
- Ambiguity over consequences of impairment on single item on entire class re: revaluations
 - IPSAS 17.51

Staff View and Proposal (Issues Paper paragraphs 14-16)

- Impairments on property, plant and equipment acknowledged e.g., IPSAS 21.11
- Impairments analytically different from revaluations
- Users should be provided with qualitative and quantitative information through disclosures of IPSAS 21 and IPSAS 26
- Proposes that P,P&E brought within scope of IPSAS 21 and IPSAS 26 with consequential to IPSAS 17 and IPSAS 31
 - ED 57
- Alternative: simpler amendment to IPSAS 17 and IPSAS 31

Matter for Consideration: Do members support this approach?

Review of ED 57

- Page-by page Review

Consultation Period (Issues Paper paragraph 17)

- Issue complex but specific
- Only relevant to entities applying revaluation policy
- Staff view: three months appropriate

Matter for Consideration: Do members support three month exposure or favor standard four months?



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