

Agenda Item 7: Impairment of Revalued Assets

John Stanford, Acting Technical Director

IPSASB Meeting

New York, USA

March 8-11, 2016

Decisions Required

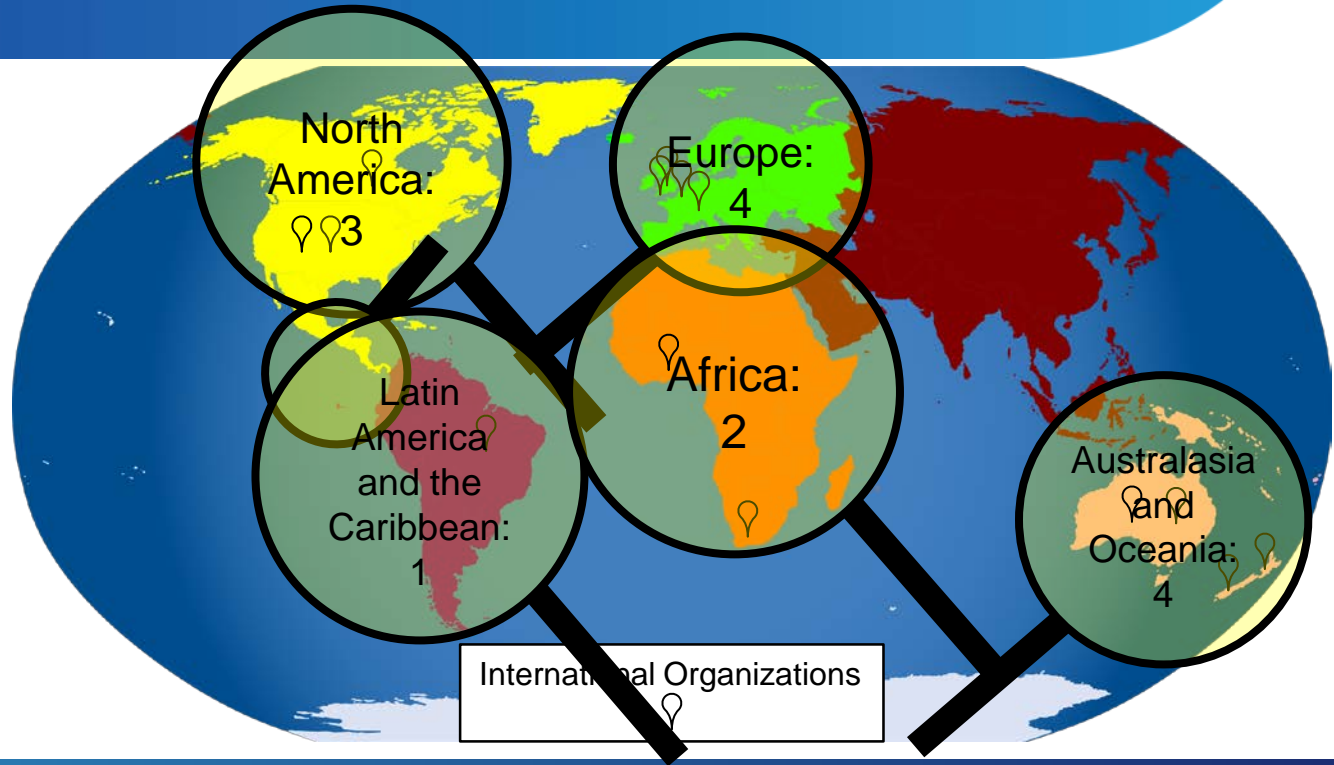
- 1(a) Continue with ED 57 approach; or
- 1(b) Deal with issue of individual impairments triggering revaluations by amending IPSAS 17, *Property, Plant and Equipment* and deactivate other aspects to Measurement project; or
- 1(c) Deactivate completely until Measurement project
- 2. Are impairments and revaluation decreases conceptually different?

Background (paras 3-4 of Agenda Item 7.1)

- ED 57, *Impairment of Revalued Assets*, issued in October 2015
- Three month consultation expiring January 15th 2016
- 15 responses received
- One Specific Matter for Comment

Where did the respondents come from? (Agenda Item 7.4)

Key	
Accountancy Firm	📍
Audit Office	📍
Member or Regional Body	📍
Preparer	📍
Standard Setter or Standards Advisory Board	📍
Other	📍



Overall staff categorization (para 5 and Agenda Item 7.3)

- Ten respondents support (R01, R02, R04, R05, R06, R07, R09, R11, R12, R13)
- Four partially support (R08, R10, R14, R15)
- One opposed (R03)

Reasons for agreement (para 6)

- Conceptual difference between revaluations and impairments
- Revaluations not event driven like impairments
- Revaluations not on selective basis, but impairments should not trigger full revaluation
- ED 57 provides useful information for accountability and decision-making purposes
- Changes not onerous for preparers
- Changes enhance IFRS alignment, increase clarity & improve financial reporting

Reasons for partial agreement: positive (para.9)

- Largely mirror those in full agreement
- Ability to recognize impairment losses on single asset as a result of natural disaster
- Interim fin. statements on same basis as annual fin. statements

Reasons for partial agreement: critical/improvements 1 (para.10)

- Implementation Guidance distinguishing revaluation decreases and impairment losses
 - Staff agrees case for example, but notes comments that impairments not conceptually different to revaluation decreases
- Distinguish impairment losses arising from (a) clear consumption of econ. benefits and service potential and (b) no clear consumption
 - Staff acknowledges but conceptual and practical issues
- Unit of measurement (account) differs between impairments and revaluations
 - Staff accepts fully, but deal with in measurement project
- Annual review of carrying amount against fair value picks up impairments
 - Staff partially accepts. Does extension of IPSAS 21 & 26 scope provide useful information?

Reasons for partial agreement: critical 2 (para.10)

- Revise para 54A
 - Staff view that insertion of “diminishing” does not clarify
- Challenges assertion that impairments are conceptually different to revaluation decreases
 - Staff accepts. Modify Basis for Conclusions

Reasons for disagreement (paras. 17-22)

- Original rationale for scope exclusion sound
- Disagrees that impairments conceptually different from revaluations
- Difficult to distinguish revaluations and impairments
- Risk of pre-judging outcome of Public Sector Measurement project
- Insert clarifying paragraph in IPSAS 17 that impairment of an asset does not necessitate revaluation of entire class

Staff View (paras. 23-29)

- Respondent 03 proposes economical way of dealing with “full revaluation of class issue”
- Accepts view that no conceptual difference between revaluation decreases and impairments
 - Delete sentence in BC20D
- Practical distinction between impairment and revaluation decrease
 - Impairment based on specific event or circumstance
- Not convinced that dealing with impairment scope now will pre-judge outcomes of Public Sector Measurement project

Staff Recommendation (para.20)

- Is additional information provided by IPSAS 21 and 26 useful for accountability and decision-making purposes?; and
- Are costs to preparers > benefits to users
- Disclosure overload?
- Staff proposes to continue with proposals in ED 57

Matter for consideration: Do members agree with staff view?



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