

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 8-11, 2016

Agenda Item

7

For:

☐ Approval

☒ Discussion

☒ Information

Impairment of Revalued Assets

Project summary	The objective of the project is (i) to bring property, plant and equipment and intangible assets carried at revalued amounts within the scope of IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> , and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> and (ii) to clarify that impairments to individual assets within a class of property, plant, and equipment in IPSAS 17, <i>Property, Plant, and Equipment</i> , do not necessitate a revaluation of the entire class to which that impaired asset belongs.	
Meeting objectives	Topic	Agenda Item
Decisions required at this meeting	1. (a) To continue with the amendments to IPSAS 21 and IPSAS 26 as proposed in ED 57, <i>Impairment of Revalued Assets</i> ; or (b) to deal with the issue of individual impairments triggering revaluations of all assets in a class of property, plant and equipment by amendment to IPSAS 17 and deactivate the other aspects of the project until the Measurement project is started; or (c) To deactivate the project and deal with all aspects including the issue of individual impairments triggering revaluations of all assets in a class of property, plant and equipment in the Public Sector Measurement project.	7.1
	2. To decide whether is (dependent on decisions on 1)	7.1
Other supporting items	Decisions and Directions up to September 2015	7.2
	Collation and Summary of Responses to ED57	7.3
	Analysis of Respondents by Region, Function, and Language	7.4
	ED 57, <i>Impairment of Revalued Assets</i>	7.5

Note to IPSASB members, this agenda item trials a different structure for agenda papers and their organization. The approach aims to focus attention on the decisions required at the meeting. There will be a discussion of how well this structure works in the closed session (Agenda Item 15) at the March Meeting.

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Analysis of responses to ED 57, Impairment of Revalued Assets

Questions

1. How should the IPSAS further develop this project? The options identified by staff are:
 - (a) Continuing with the amendments to IPSAS 21, *Impairment of Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets* to bring property, plant and equipment and intangible assets carried at revalued amounts within the scope of IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, and to clarify that impairments to individual assets within a class of property, plant, and equipment in IPSAS 17, *Property, Plant, and Equipment*, do not necessitate a revaluation of the entire class to which that impaired asset belongs.
 - (b) To deal with the issue of individual impairments triggering revaluations of all assets in a class of property, plant and equipment by amendment to IPSAS 17 and deactivate consideration of the scope of IPSAS 21 and IPSAS 26 until the Public Sector Measurement project is started; or
 - (c) To deactivate the project and deal with all aspects, including the issue of individual impairments triggering revaluations of all assets in a class of property, plant and equipment in the Public Sector Measurement project.
2. Do impairment losses differ conceptually from revaluation decreases?

Detail–Analysis of responses to ED 57, *Impairment of Revalued Assets*

Background

3. ED 57, *Impairment of Revalued Assets*, was approved in September 2015 and issued on October 14, 2015 with a consultation period that expired on January 15, 2016.
4. As at February 23, 2016 15 responses had been received. Respondents are listed in Agenda Item 7.3. Agenda Item 7.4 provides an analysis of respondents by region, function, and language.

Overall Categorization of Responses

5. Ten respondents are classified as agreeing with the proposals in ED 57 (R01, R02, R04, R05, R06, R07, R09, R11, R12 & R13). Four are classified as partially agreeing (R08, R10, R14 & R15). R03 disagreed with the proposals. A collation and summary of responses is provided at Agenda Item 7.2.

Respondents Agreeing with ED 57

6. The views of respondents categorized as agreeing with the proposals included:
 - Agreement with the assertion in ED 57. BC20D that there is a conceptual difference between revaluations and impairments (R02, R06, R09);
 - The proposed changes provide information to users on impairment losses and reversals to property, plant and equipment and intangible assets carried at revalued amounts (R04 and R06);
 - Revaluation requirements are not “event driven” like impairment requirements. (R06)
 - View that a full revaluation is unnecessary and impractical where an asset is impaired unless other assets in the class have similar indications of potential impairment. However,

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support for the requirement in IAS 17 to revalue the entire class of assets to which the revalued item belongs as it avoids selective revaluation of assets (R06);

- The proposed changes are not onerous for preparers (R07);
- The proposed changes enhance alignment with IFRS (R07);
- The proposed changes increase clarity (R11); and
- The exclusion of assets on the revaluation model for IPSAS 21 and IPSAS 26 results in “less good financial reporting.” This respondent also cited its response to the earlier EDs on impairment that preceded IPSAS 21 and IPSAS 26 in which it had opposed the scope exclusion (R12).

7. R02 supported the proposals, and, as indicated above, agreed with the assertion that revaluation and impairment are conceptually different. However, R02 considered that the explanation of the change from current requirements in IPSAS 21 and IPSAS 26 should be more comprehensive, including the rationale for the alignment of the treatment of impairment losses and revaluation changes.

Staff View

8. Staff agrees with the point raised by R02 that the Basis for Conclusions should provide a more comprehensive explanation of the rationale for the alignment of the treatment of impairment losses and revaluation changes.

Respondents Partially Agreeing with ED 57

Views of Respondents 08, 10, 14 & 15

9. Four respondents have been categorized as partially agreeing with the proposals in ED 57. These respondents supported the scope modification, but raised significant issues related to the proposals. Comments in support of the change largely mirrored those of respondents agreeing (see above paragraph 6):
- The promotion of further alignment between IPSAS and IFRS (R08);
 - A reduction in unnecessary burdens on preparers because of the clarification that impairments of individual assets do not trigger a revaluation of all assets in the class of the impaired asset (R08);
 - Affirmation that impairments differ from revaluations and that revalued assets can experience impairments (R08);
 - The proposed changes and consequential amendments will provide users with relevant information on impairment losses to property, plant and equipment and intangible assets on the revaluation model (R14);
 - This change will enable public sector entities to recognize impairment losses on a single asset when an impairment event such as a fire or earthquake occurs between the annual revaluation cycle for the relevant class of assets (R15); and
 - Proposed change is particularly important for entities applying the same accounting policies in interim financial statements as in their annual financial statements. This change will ensure that significant impairments on revalued assets that arise during the year can be reported when they occur (R15).

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10. These respondents raised the following criticisms of the proposals in ED 57 and related issues, and suggestions for significant modification:
- Inclusion in Implementation Guidance of some types of events that would cause a downward revaluation and types of events that would cause an impairment (R08);
 - In order to enhance transparency and promote accountability distinguishing impairment losses that result from (a) a clear consumption of economic benefits or a reduction of service potential from (b) those that do not result from a clear consumption of economic benefits or a reduction in service potential. Losses related to (i) would be charged to surplus or deficit with a compensating transfer from the revaluation reserve to surplus or deficit of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment (R08);
 - R10 proposed revising the wording of paragraph 54A of IPSAS 21 so that it would read:
“An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus, diminishing to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets.” (Proposed word underlined. R10 proposed a similar wording change to paragraph 73A of IPSAS 26).
 - The unit of account (measurement) for revaluations differs from the unit of account for impairments. Therefore the off-setting approach whereby impairment losses can be offset against revaluation surpluses is not straightforward (R14);
 - Need for greater clarity on what proportion of the cumulative revaluation surplus will be realized when individual assets are used or disposed of. This relates to paragraph 57 of IPSAS 17(R14);
 - Questions whether the current “class approach” to the offsetting of revaluation increases and decreases related to property, plant and equipment provides useful information on the management of individual assets and is conducive to accountability (R14);
 - Expresses concerns about the IPSASB’s statement in BC20D that impairments are conceptually different from revaluations. Agrees with the IPSASB that assets at revalued amounts can experience impairments from adverse events (e.g. physical damage, obsolescence) which can cause devaluations. However, considers that the current IPSASB literature and guidance on adverse events that causes devaluation under either IPSAS 17 (where adverse changes in value are called revaluation movements) and IPSAS 21 and 26 (where adverse changes in value are called impairments), are virtually the same (R15); and
 - Based on experience of the annual valuation process (or other periodic or rolling valuation cycle) impairments such as physical damage or obsolescence are naturally taken into consideration as part of the valuation to determine the carrying amount or to ensure the carrying amount does not differ materially from that which would be determined using fair value at the reporting date (R15).
11. R15 commended the IPSASB for clarifying the objective of the limited scope project and undertaking the project. However R15 challenged the assertion in paragraph BC20D that impairments are conceptually different from revaluations and asked the IPSASB to either delete

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the statement from the Basis for Conclusions or explain further how revaluations and impairments are conceptually different.

Staff View

12. If the IPSASB decides to continue with the proposals in ED 57, Staff thinks that there is a case for an example distinguishing a change in value from a regular revaluation review and an impairment. However, staff notes the comments of a number of respondents who do not agree with the assertion in ED 57.BC20D that impairments are conceptually different to revaluations.
13. Staff does not consider that inserting “diminishing” into paragraph 54A enhances clarity. Staff does not propose a change to this paragraph.
14. Staff acknowledges the intention behind the proposal to distinguish impairment losses that result from (a) a clear consumption of economic benefits or a reduction of service potential from (b) those that do not result from a clear consumption of economic benefits or a reduction in service potential. Staff has reservations about the conceptual merits of such a distinction and thinks it will be practically Complex to apply.
15. Staff supports the points raised by R14 on unit of account, the attribution of components of the revaluation reserve to individual assets and the more fundamental issue of the offsetting of revaluation increases and decreases related to property, plant and equipment. In particular, staff considers that the justification for the class of asset based approach to offsetting is unclear and that the approach is flawed. Staff therefore supports R14’s proposal to move to revaluation based on an individual asset basis. However, because these issues primarily relate to the offsetting requirements for the treatment of revaluation changes in IPSAS 17, rather than the scope of the impairment standards they should be addressed in the Public Sector Measurement project.
16. Staff’s views on the points raised by R15 are considered below in paragraphs 22-24 .

Respondent Disagreeing

17. Respondent 03 disagreed with the proposals on four main grounds:
 - The original rationale for excluding revalued assets from the scope of the impairment standards is sound;
 - Disagreement with the statement in the proposed Basis for Conclusions on IPSAS 21 and IPSAS 26 that “impairments are conceptually different from revaluations”;
 - The difficulty of distinguishing revaluations and impairments to meet the additional disclosure requirements proposed in IPSASs 21 and 26; and
 - The proposed amendments create a risk of pre-judging the outcome of the project on Public Sector Measurement.
18. On the scope exclusion R03 contends that IPSAS 17 does require that the impact of adverse events on revalued assets be addressed if the carrying amount is materially different from fair value.
19. Like R15, R03 challenged the IPSASB’s statement in BC20D that impairments are conceptually different from revaluations. R03 considered that the same sort of adverse event could cause an impairment or a devaluation, because it would affect both the asset’s fair value and its recoverable amount. R03 also highlighted implementation guidance in IPSAS 17 that it considers is consistent with IPSAS 21 and IPSAS 26.

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20. ED 57 proposes additional disclosure requirements relating to the amount of impairment losses recognised on revalued assets and the reversals of impairment losses on revalued assets. R03 notes that an entity would have to distinguish between an impairment and a revaluation in order to comply with the proposed additional disclosure requirements in IPSAS 21 and 26. In R03's view the benefit of distinguishing between revaluations and impairments is unlikely to exceed the costs of making that distinction.
21. As noted R03 also suggests that finalizing amendments to IPSAS 21 and IPSAS 26 based on ED 57 risks pre-judging the outcome of the IPSASB project on Public Sector Measurement. The impairment of revalued assets was in the original draft project brief for Public Sector Measurement.
22. Pending work on the Public Sector Measurement project, R03 suggests that the IPSASB amends IPSAS 17 by inserting an additional paragraph 51A to IPSAS 17:
- 51. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.**
- 51A. Notwithstanding paragraph 51, if:
- (a) A specific event or circumstance (such as a fire, flood or earthquake) that adversely affects the value of an individual asset (or group of assets), but not the entire class of assets, occurs outside the usual frequency of revaluations; and
- (b) The adverse event indicates that the carrying amount of that asset (or group of assets) may differ materially from that which would be determined if the asset were revalued at the reporting date.
- The entity shall revalue the affected asset (or group of assets) but need not revalue the entire class of assets to which that asset (or group of assets) belongs.

Staff View and Recommendation

23. Staff finds many of R03's proposals persuasive. Undoubtedly inserting an additional paragraph to IPSAS 17, rather than extending the scope of IPSAS 21 and IPSAS 26, is the most economical method of dealing with the issue of ensuring that impairment of an item (or group of items of property, plant and equipment), does not necessitate the revaluation of the entire class of property, plant and equipment to which that asset or (group of assets) belong.
24. Staff agrees with those respondents who challenge the assertion in paragraph BC20D that there is a conceptual difference between impairments and revaluations. The assertion is not explained and in the view of staff is incorrect. Both impairment losses and revaluation decreases lead to a diminution of service potential and the ability of an asset to generate economic benefits. In the view of staff this assertion in paragraph BC20D should be deleted.
25. Staff considers that a modification of R03's wording in proposed paragraph 51A provides a good working description of impairment: A specific event or circumstance (such as a fire, flood or earthquake) that adversely affects the value of an individual asset (or group of assets), but not necessarily the entire class of assets, outside a regular revaluation. In the view of staff this addresses R03's point about the difficulty of distinguishing revaluations and impairments to meet the additional disclosure requirements of IPSASs 21 and 26.
26. The coverage of impairment in the the project brief for Public Sector Measurement project was focused on the scope exclusion of revalued assets from IPSAS 21 and IPSAS 26. Consequently, staff is not persuaded that the proposed amendments create a risk of pre-judging the outcome of the project on Public Sector Measurement. The consideration of the issue of the impairment of

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revalued assets was decoupled from the Public Sector Measurement project, because that project is not expected to lead to changes to IPSASs until 2019—see agenda item 7.2.

27. IPSAS 21.73-78 and IPSAS 26.115, 26.119-121, 26.123-124 require a number of disclosures of quantitative and qualitative information. The scope exclusion of assets on the revaluation model in IPSAS 21 and IPSAS 26 means that the information in these disclosures is not available to the users of financial statements of entities that adopt an accounting policy of measuring property, plant and equipment and intangible assets on the revaluation model subsequent to initial recognition.
28. In Staff's view the issue comes down to whether (a) the additional information required by IPSAS 21 and 26 on impairments is useful to the users of financial statements for accountability and decision-making purposes and (b) the costs to preparers exceed the benefits of the additional information (and guidance to preparers on impairments).
29. Based on the benefits to users of the information in IPSAS 21 and 26 staff proposes that the approach in ED 57 that the extension of the scope of IPSAS 21 and 26 to revalued assets is confirmed. Staff acknowledges the debate about "disclosure overload" and the view that the disclosures required by IPSAS 21 and IPSAS 26 will impose an expense on preparers, but considers that adoption of this approach will not be unduly onerous, as indicated by R07 and R15.

Decision required

Does the IPSASB agree to continue with the proposed approach in ED 57, subject to modifications to the Basis for Conclusions, and bring final amendments to IPSAS 21 and IPSAS 26 and consequential amendments to IPSAS 17 and IPSAS 31, *Intangible Assets*, to the June 2016 meeting?

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DECISIONS AND DIRECTIONS UP TO DECEMBER 2015

Date of Decision	Decision
September 2015	<p>In accordance with the directive at the June meeting the IPSASB considered proposals to bring property, plant, and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 and IPSAS 26 and draft amendments to IPSAS 21 and IPSAs 26 with consequential clarifying amendments to IPSAS 17 and IPSAS 31, <i>Intangible Assets</i>. These changes seek to provide users with relevant information on impairment losses to property, plant, and equipment and intangible assets on the revaluation model and to clarify that impairments to individual assets within a class of property, plant, and equipment in IPSAS 17, do not necessitate a revaluation of the entire class to which that impaired asset belongs.</p> <p>The IPSASB also considered an alternative view that the rationale for the current scope exclusions in IPSAS 21 and IPSAS 26 is robust. According to this view the ambiguity over the relationship between impairments of individual assets and revaluations could be addressed through a clarification in IPSAS 17. Such a clarification would be that, for assets on the revaluation model, the assessment that carrying amount does not differ materially from that which would be determined using fair value at the reporting date precedes impairment testing and that, unless other assets in the class have similar indications of potential impairment, there is no need for a revaluation of the entire class.</p> <p>On balance, the IPSASB considered that the objectives of financial reporting are best served by bringing property, plant, and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 and IPSAS 26. The IPSASB then reviewed draft Exposure Draft (ED) 57, <i>Impairment of Revalued Assets</i>, to achieve this objective. Subject to minor changes the IPSASB approved ED 57. ED 57 was issued in mid-October 2015 with a consultation expiry date of January 15.</p>
June 2015	<p>The IPSASB considered whether to include the issue of the impairment of property, plant and equipment carried on the revaluation model in IPSAS 17, <i>Property, Plant and Equipment</i>, within the scope of the project on Public Sector Measurement or to bring forward proposed amendments in the Improvements project. The IPSASB decided that the timelines for the Public Sector Measurement project meant that the issue would not be finalized until 2019 and that the issue needed to be addressed more quickly. The IPSASB decided that the subject is not a minor improvement and that therefore it is not appropriate for the Improvements project. The IPSASB also decided that the project should include intangible assets. The IPSASB therefore decided to initiate a limited scope project to consider whether property, plant, and equipment and intangible assets on the revaluation model within the scope of the IPSASB's two standards on impairment—IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>.</p>

**STAFF SUMMARY OF RESPONSES TO EXPOSURE DRAFT
ED 57 IMPAIRMENT OF REVALUED ASSETS**

Note: This paper includes extracts from each response received to the ED, which have been grouped to identify respondents' views on the ED as well as the key issues identified by staff. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves.

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List of Respondents

Response #	Respondent Name	Country	Function
01	The Institute of Chartered Accountants (Ghana)	Ghana	Member or Regional Body
02	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
03	New Zealand Accounting Standards Board	New Zealand	Standard Setter/Standards Advisory Body
04	KPMG	International	Accountancy Firm
05	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
06	Public Sector Accounting Board (PSAB, from staff)	Canada	Standard Setter/Standards Advisory Body
07	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
08	The Institute of Chartered Accountants in England and Wales (ICAEW)	UK	Member or Regional Body
09	CPA Australia	Australia	Member or Regional Body
10	Asociación Interamericana de Contabilidad (AIC)	USA	Member or Regional Body
11	ICGFM	USA	Other
12	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
13	Denise Silva Ferreira Juvenal	Brazil	Other
14	Secretariat of the Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
15	New Zealand Treasury	New Zealand	Preparer

General Comments on the ED

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
01	<i>No general comments identified</i>	
02	<p>We fully agree with bringing property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26 <i>Impairment of Cash-Generating Assets</i>.</p> <p>However, we believe that internal consistency would be improved if the rationale for the accounting treatment for revalued assets' impairment losses was better articulated, be it in the relevant standards or in the Bases for Conclusions.</p>	See paragraph 7 of Agenda Item 7.1
03	<p>As you are aware, we wrote to the IPSASB in June 2015 and highlighted some issues that had been raised with us by constituents [...].</p> <p>One of the issues raised was where the revaluation model in IPSAS 17 Property, Plant and Equipment is applied to a class of assets and an event occurs (for example, a fire or earthquake) that damages one asset in that class. Sometimes such events are addressed through the regular revaluation of the assets within that class, but they also occur between revaluation cycles. Currently IPSAS 17 paragraph 51 requires that if an item of property, plant and equipment is revalued, the entire class of assets to which that item belongs be revalued.</p> <p>[Respondent 03] suggested that it would be helpful to amend IPSAS 17 to clarify that when an impairment loss is recognised in respect of an item of revalued property, plant and equipment, there is no requirement to revalue the entire class of property, plant and equipment to which that impaired item belongs.</p> <p>We would like to thank you for your prompt response in considering this issue and developing the proposals in ED 57. We understand that the proposals in ED 57 to amend the IPSASB's impairment standards were based on the equivalent requirements in IFRS.</p> <p>After some reflection on the matters that have influenced the development of IPSASs 17, 21 and 26, we think that the proposals to include revalued property, plant and equipment and intangible assets within the scope of IPSAS 21</p>	See paragraphs 17-22 of Agenda Item 7.1

Staff Summary of Responses to Exposure Draft 57
IPSASB Meeting (March 2016)

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets are not the best way of addressing the issue we raised.</p> <p>Our reasons for not supporting the proposals in ED 57 are:</p> <ul style="list-style-type: none"> (a) The original rationale for excluding revalued assets from the scope of the impairment standards is sound; (b) We disagree with the statement in the proposed Basis for Conclusions on IPSAS 21 and IPSAS 26 that “impairments are conceptually different from revaluations”; (c) The difficulty of distinguishing between revaluations and impairments to meet the additional disclosure requirements proposed in IPSASs 21 and 26; and (d) The proposed amendments create a risk of pre-judging the outcome of the IPSASB project on Public Sector Measurement. <p>We discuss these points in more detail under the specific matter for comment in Appendix A [included under responses to Specific Matter for Comment below] of this letter.</p> <p>In our view, the best way to address the issue would be to make an amendment to IPSAS 17 only. Appendix A [included under responses to Specific Matter for Comment below] to the letter contains the proposed wording for such an amendment. If the IPSASB does not wish to make the amendment to IPSAS 17 only, in our view, no amendments should be made to the Standards at this stage, and the IPSASB should wait for the Public Sector Measurement project to be completed.</p>	
04	<p>Exposure Draft 57: <i>Impairment of Revalued Assets</i> proposes to amend IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, to include property, plant and equipment and intangible assets measured at revalued amounts within the scope of IPSAS 21 and IPSAS 26.</p> <p>Overall, we are supportive of the IPSASB’s proposed changes to IPSAS 21 and IPSAS 26, and the consequential amendments to IPSAS 17: Property, plant and equipment and IPSAS 31: Intangible assets.</p>	
05	<i>No general comments identified</i>	
06	<p>We support the proposed amendments to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> as well as the consequential amendments to IPSAS 17, <i>Property, Plant and</i></p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<i>Equipment</i> and IPSAS 31, <i>Intangible Assets</i> . These amendments improve the IPSASB standards by highlighting that impairments are distinct from revaluations and need to be considered separately when dealing with assets measured at revalued amounts.	
07	<i>See Responses to Specific Matter for Comment below</i>	
08	<p>Support for the exposure draft</p> <p>We welcome the opportunity to comment on IPSASB's exposure draft (ED) on Impairment of Revalued Assets. We broadly support the proposals as they further align IPSASs with IFRSs and allow preparers to impair an asset without having to revalue to the entire class of asset, an important change which we think is overdue.</p> <p>Transparency and stewardship</p> <p>In general, we support alignment between IPSASs and IFRSs. However, in this case, IPSASB should consider the benefits – in terms of stewardship and transparency – of adopting the old [...] model of reporting impairments [...] thus adapting IAS 36 for the public sector. At present under IPSAS 21.54 and 26.73, the recognition of an impairment loss of a revalued asset is treated as a revaluation decrease to the extent the impairment loss does not exceed the amount in the revaluation surplus for that class of asset. Instead we suggest this approach should be amended such that only those impairment losses that do not result from a clear consumption of economic benefit or a reduction in service potential (including as a result of loss or damage resulting from normal business operations) are taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefits would be charged to operating expenses with a compensating transfer from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment. We believe this accounting approach leads to greater transparency and promotes accountability for the loss of service potential.</p>	See paragraphs 9-11 of Agenda Item 7.1
09	<i>No general comments identified</i>	
10	<i>No general comments identified</i>	
11	<i>No general comments identified</i>	

Staff Summary of Responses to Exposure Draft 57
IPSASB Meeting (March 2016)

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
12	[Respondent 12] supports all of the proposed amendments and improvements. Comments on the exposure draft are provided in the attached annex.	
13	<i>No general comments identified</i>	
14	Overall, we are supportive of the changes proposed to IPSASs in ED 57. A number of general issues were however identified by our stakeholders. These issues, together with our proposals are reflected in the response to the specific matter for comment. These are included as Annexure A to this letter.	See paragraphs 9-11 of Agenda Item 7.1
15	<i>No general comments identified</i>	

Specific Matter for Comment

The IPSASB proposes to include revalued property, plant and equipment and intangible assets within the scope of IPSAS 21 and IPSAS 26 in order to (a) provide information to users on impairment losses and reversals to property, plant and equipment and intangible assets carried at revalued amounts and (b) clarify that when a revalued asset is impaired and an impairment loss is recognized, an entity is not required to revalue the entire class of assets to which that item belongs..

Do you agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED and the consequential amendments to IPSAS 17, Property, Plant and Equipment, and IPSAS 31, Intangible Assets? If not, please provide your reasons.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	01, 02, 04, 05, 06, 07, 09, 11, 12, 13	10
B – PARTIALLY AGREE	08, 10, 14, 15	4
C – DISAGREE	03	1
SUB-TOTAL OF THOSE PROVIDING COMMENTS		15
D – DID NOT COMMENT		0
TOTAL RESPONDENTS		15

Staff Summary of Responses to Exposure Draft 57
IPSASB Meeting (March 2016)

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	A	<p>Yes we agree. It seems appropriate to include revalued property, plant and equipment and intangibles within the scope of IPSAS 21 (impairment on cash generating assets) and IPSAS 26 (impairment on non-cash generating assets) to give a holistic picture of impairment. Thus, impairment on assets would be covered under these two standards which deal solely with impairment.</p> <p>From this, at each reporting date, an entity would be required to assess the recoverable amount of cash generating assets and non-cash generating assets and recognize an impairment loss if the recoverable amount of the asset is less than the carrying amount.</p> <p>Where the asset has been revalued before, as is the topic of discussion, an impairment loss will first be recognized in the revaluation reserve to the value of the loss; any excess on the loss will be recognized in surplus or deficit. In addition, when a revalued asset is impaired and an impairment loss is recognized, an entity is not required to revalue the entire class of assets to which that item belongs.</p>	See paragraph 5 of Agenda Item 7.1
02	A	<p>We are of the opinion that revaluation and impairment are conceptually different. This is because revaluation of property, plant and equipment and of intangible assets is primarily based on market value, whereas impairment is assessed through a specific-entity analysis.</p> <p>Therefore we fully agree with including requirements for impairment losses of property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26 <i>Impairment of Cash-Generating Assets</i>.</p> <p>We note that a consequence of the above proposal is that impairment losses of assets on the revaluation model should follow the same accounting pattern as revaluation decreases¹. We observe that that change is aligned with the accounting treatment set out in paragraph 60 of IAS 36 <i>Impairment of Assets</i> for impairment losses of revalued assets.</p> <p>However, in the light of the conceptual difference between revaluation and impairment, we think that this is a change on previous requirements in IPSAS 21 and IPSAS 26 that would benefit from a more comprehensive explanation than that proposed in the Bases for Conclusions. For instance, it could be stated that, though revaluation and impairment are conceptually different, having considered that it would not be fair to require</p>	See paragraphs 6-8 of Agenda Item 7,1

¹ See proposed changes to paragraphs 54 and 54A in IPSAS 21 and to paragraphs 108 and 108A in IPSAS 26.

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		impairment losses to affect only surplus or deficit while revaluation increases are not recognised in surplus or deficit, the Board proposed to align the accounting treatment for impairment losses of revalued assets in IPSASs with that of impairment losses for revalued assets in IFRSs.	
03	C	<p>We do not agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED and the consequential amendments to IPSAS 17, <i>Property, Plant and Equipment</i>, and IPSAS 31, <i>Intangible Assets</i>.</p> <p>Our reasons for not agreeing with the proposals are set out below:</p> <p>(a) The original rationale for excluding revalued assets from the scope of the impairment standards is sound.</p> <p>Currently property, plant and equipment and intangible assets measured at revalued amounts are excluded from the scope of both impairment standards (IPSAS 21 and 26). The IPSASB's rationale for this scope exclusion was that assets carried at revalued amounts under IPSAS 17 and IPSAS 31 should be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date, and any impairment would be taken into account in the valuation. The IPSASB explained that the carrying amounts determined under IPSAS 17 were not likely to be materially different from those determined using the impairment standards.</p> <p>So IPSAS 17 does require that the impact of adverse events on revalued assets be addressed (if the carrying amount is materially different from fair value).</p> <p>(b) We disagree with the statement in the proposed Basis for Conclusions on IPSAS 21 and IPSAS 26 that "impairments are conceptually different from revaluations".</p> <p>The statement that impairments are conceptually different from revaluations can be challenged on the grounds that the same sort of adverse event could cause an impairment or a devaluation, because it would affect both the asset's fair value and its recoverable amount. For example, changes in demand for the entity's services and technological changes impact on the asset's recoverable amount for impairment purposes under IPSAS 21 and IPSAS 26 and its fair value under IPSAS 17.</p>	See paragraphs 17-22 of Agenda Item 7.1

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>IPSAS 17 contains non-integral Implementation Guidance about the frequency of revaluation of property, plant and equipment. The purpose of this guidance is to assist entities that adopt the revaluation model to determine whether carrying amounts differ materially from the fair value as at reporting date. This guidance is consistent with the requirements in IPSASs 21 and 26 in that it:</p> <ul style="list-style-type: none"> (i) Suggests that an annual assessment of an asset's carrying amount and fair value be undertaken at the reporting date; and (ii) Lists sources of information that should be considered by the entity when assessing whether there is any indication that a revalued asset's carrying amount may differ materially from its fair value. <p>In respect of both (i) and (ii) above, this is consistent with (albeit not identical to) the requirements and indications of impairment in IPSASs 21 and 26.</p> <p>(c) The difficulty of distinguishing between revaluations and impairments to meet the additional disclosure requirements proposed in IPSASs 21 and 26.</p> <p>The proposed amendments to IPSAS 21 and 26 include additional disclosure requirements relating to the amount of impairment losses recognised on revalued assets and the reversals of impairment losses on revalued assets. An entity would have to distinguish between an impairment and a revaluation in order to comply with the proposed disclosure requirements.</p> <p>Bearing in mind that:</p> <ul style="list-style-type: none"> (i) Similar events can lead to an impairment or devaluation (as discussed above), (ii) the accounting treatment for devaluations and the recognition of impairment losses (and for revaluations and the reversal of impairment losses) is the same, and (iii) the disclosure requirements are substantially the same, <p>the benefit of distinguishing between revaluations and impairments is unlikely to exceed the costs of making that distinction.</p> <p>(d) The risk of pre-judging the outcome of the IPSASB project on Public Sector Measurement.</p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>At its meeting in June 2015, the IPSASB approved a two-phase project on Public Sector Measurement.</p> <p>[Respondent 03] is concerned that expressing the view that impairments are conceptually different from revaluations has a risk of pre-judging the outcome of this measurement project.</p> <p>For the reasons set out above, [Respondent 03] does not support the proposals in ED 57 to bring revalued assets into the scope of the impairment standards.</p> <p>Pending work on the measurement project, we suggest that the IPSASB amends IPSAS 17 to address the issue that we initially raised.</p> <p>Our suggestion is that the IPSASB add an additional paragraph to IPSAS 17 (see the proposed paragraph 51A below). Paragraph 51 has been provided for context.</p> <p>51. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.</p> <p>51A. Notwithstanding paragraph 51, if:</p> <p>(a) A specific event or circumstance (such as a fire, flood or earthquake) that adversely affects the value of an individual asset (or group of assets), but not the entire class of assets, occurs outside the usual frequency of revaluations; and</p> <p>(b) The adverse event indicates that the carrying amount of that asset (or group of assets) may differ materially from that which would be determined if the asset were revalued at the reporting date</p> <p>the entity shall revalue the affected asset (or group of assets) but need not revalue the entire class of assets to which that asset (or group of assets) belongs.</p>	
04	A	<p><i>Do you agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED? If not, please provide your reasons.</i></p> <p>We support the proposed changes to IPSAS 21 and IPSAS 26 to provide information to users on impairment losses and reversals to property, plant and equipment and intangible assets carried at revalued amounts. We</p>	<p>There is no equivalent paragraph in IPSAS 31 to paragraph 51 in</p>

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R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>are of the opinion that these changes will better align the IPSASs with the International Financial Reporting Standards.</p> <p><i>Do you agree with the consequential amendments to IPSAS 17 and IPSAS 31? If not, please provide your reasons.</i></p> <p>We agree with the proposed amendments to IPSAS 17.</p> <p>The current IPSAS 17 highlights that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment shall be revalued. We interpret paragraph 80 of the current IPSAS 31 standard to mean that if an item of intangible asset is revalued, the entire class should be revalued, except for items within the class for which no active market exists.</p> <p>As a consequence, a paragraph similar to paragraph 51A in the amendment to IPSAS 17 proposed in Exposure Draft 57, which states that an impairment loss or reversal thereof, does not give rise to the need to revalue the entire class of assets, should also be added in addition to the amendments to IPSAS 31 proposed in Exposure Draft 57.</p>	<p>IPSAS 17. Staff does not agree with the interpretation of paragraph 80 of IPSAS 31. IPSAS 31.80 sets out a requirement for measurement of an intangible asset in a class of revalued intangible assets where there is no active market for that asset.</p>
05	A	<p>[Respondent 05] welcomes in itself that the IPSAS Board iron out the inconsistencies that exist between IPSAS 17/31 and IPSAS 21/26. That being said, the existing inconsistencies are only relevant to those entities that applies the revaluation model. The [...] entities that apply the IPSASs [...] use the cost model. Therefore they are not affected by the proposed amendments.</p>	<p>Staff agrees that the changes proposed in ED 57 do not affect property, plant and equipment and intangible assets on the cost model which are already in scope of IPSAS 21 & IPSAS 26,</p>

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R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
06	A	<p>We agree with the changes to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, proposed in the ED and the consequential amendments to IPSAS 17, <i>Property, Plant and Equipment</i>, and IPSAS 31, <i>Intangible Assets</i>.</p> <p>We are of the view that impairments are distinct from revaluations and need to be addressed separately. The current guidance under IPSAS 21 and IPSAS 26 may not lead to identification of impairment in a timely manner. This is because the revaluation requirements under these two standards do not appear to be “event driven” but rather require revaluation “with sufficient regularity” which for some assets may be every few years. For this reason we are of the view that the proposed amendments to assess the revalued asset for impairment at each reporting date improves these standards and will result in relevant and timely information helping users in distinguishing changes in value due to revaluations and impairment.</p> <p>We also support the consequential amendments to IPSAS 17 and IPSAS 31 to clarify that when a revalued asset is impaired and an impairment loss is recognized, an entity is not required to revalue the entire class of assets to which that item belongs. We agree that the requirement to revalue the entire class of assets to which the revalued item belongs is critical when considering revaluation (avoids selective revaluation of assets), however, unnecessary and impractical when considering impairment unless other assets in the class have similar indications of potential impairment.</p>	See paragraph 6 of Agenda Item 7.1
07	A	<p>[Respondent 07] supports the proposal to bring assets held at revalued amounts within the scope of the IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and IPSAS 26 <i>Impairment of Cash-Generating Assets</i> and to not require revaluation of the entire class of assets when an impairment loss is recognised for an asset that is revalued. [Respondent 07] agrees with BC20F of the Exposure Draft that these changes are unlikely to be onerous for preparers of financial statements.</p> <p>[Respondent 07] notes that these proposed changes align with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and strongly supports a strategy of converging IPSAS and IFRS where possible.</p>	See paragraph 6 of Agenda Item 7.1
08	B	<p>We agree with the changes proposed in the ED for the following reasons:</p> <p>a) The promotion of further alignment between IPSASs and IFRSs;</p>	See paragraphs 9,10, 12 and 14 of Agenda Item 7.1

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>b) Impairment of revalued property, plant and equipment and intangible assets can now be carried out in isolation, without having to revalue the entire class of assets, thus reducing unnecessary burdens on preparers;</p> <p>c) Affirmation that impairments are different from revaluations and that revalued assets can experience impairments.</p> <p>We do acknowledge, however, that preparers will now have to assess at the end of each reporting period whether there is any indication that an asset may be impaired, in line with those entities following IFRS. Preparers would, in our view, benefit from the inclusion in the implementation guidance of some examples of what type of events would cause a downward valuation and what would cause an impairment. Such examples should however be restricted to illuminating the main principles of the standard</p> <p>Finally, IPSASB should also consider issuing guidance on the factors that can lead to the depreciated replacement cost (DRC) of specialised assets being significantly lower than their initial cost due to the methodologies used in arriving at the DRC rather than there being an actual impairment.</p> <p>[From General Comments:]</p> <p>In general, we support alignment between IPSASs and IFRSs. However, in this case, IPSASB should consider the benefits – in terms of stewardship and transparency – of adopting the old [...] model of reporting impairments [...] thus adapting IAS 36 for the public sector. At present under IPSAS 21.54 and 26.73, the recognition of an impairment loss of a revalued asset is treated as a revaluation decrease to the extent the impairment loss does not exceed the amount in the revaluation surplus for that class of asset. Instead we suggest this approach should be amended such that only those impairment losses that do not result from a clear consumption of economic benefit or a reduction in service potential (including as a result of loss or damage resulting from normal business operations) are taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefits would be charged to operating expenses with a compensating transfer from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment. We believe this accounting approach leads to greater transparency and promotes accountability for the loss of service potential.</p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
09	A	[Respondent 09] agrees that impairments are conceptually different from revaluations and that assets carried at revalued amounts can experience impairments. We therefore support the proposed amendments to IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets.	See paragraph 6 of Agenda Item 7.1
10	B	<p>Amendments to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i></p> <p>Recognizing and Measuring an Impairment Loss</p> <p>We propose the following reaction:</p> <p>54A An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus, diminishing to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets.</p> <p><i>Justification of our proposal:</i></p> <p>By adding the word "diminishing" the coherence of the wording would remain with paragraph 69A that uses the word "increases" when referring to the recognition of a reversal of an impairment loss of a revalued asset. We propose to eliminate this paragraph: Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.</p> <p>Effective Date</p> <p>Added Paragraphs: 54A, 69A, 81A and 81 C, therefore, understand that latter corresponds add number 81C between additions.</p> <p>Amendments to IPSAS 26, <i>Impairment of Cash-Generating Assets</i></p> <p>Recognizing and Measuring an Impairment Loss</p> <p>We propose the following reaction:</p> <p>73A. An impairment loss on a non-revalued asset is recognized in profit. However, an impairment loss of a revalued asset is recognized in the revaluation surplus, diminishing, to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that asset class.</p> <p><i>Justification of our proposal:</i></p> <p>By adding the word "diminishing" the coherence of the wording would remain with paragraph 108 that uses the word "increases" when referring to the recognition of the reversal of an impairment loss of a revalued asset. We</p>	See paragraphs 10 and 13 of Agenda Item 7.1.

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R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>further propose the additional paragraph is removed such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.</p> <p>In other respects we are agree with the proposal of the Board of International Accounting Standards Public Sector (AIPSASB), because we understand that responds to a need for adjustments to adapt, especially to the proposed amendments and the adaptation that current time requires.</p>	
11	A	We support the changes proposed within ED 57. The proposed changes bring clarity to the treatment of revalued assets and enhance consistency with other standards.	See paragraph 6 of Agenda Item 7.1
12	A	<p>[Respondent 12] agrees with the current proposals to broaden the scope of the impairment standards. [Respondent 12]'s view, as explained in our responses to ED 23 'Impairment' and ED 30 'Impairment of Cash-Generating Assets' is that the exclusion of revalued assets from impairment testing results in less good financial reporting.</p> <p>We also agree with the clarification that the recognition of an impairment of a revalued asset need not trigger the revaluation of the entire asset class.</p>	See paragraph 6 of Agenda Item 7.1
13	A	<p>Yes, I agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED and the consequential amendments to IPSAS 17, Property, Plant and Equipment, and IPSAS 31, Intangible Assets.</p> <p>I suggest for the Board's if agrees, that contact the Key International Regulators and Key International Organizations (IOSCO, IVSC, IASB, FRC, ESMA, IFAC, FASB, GASB and GAO), to know about method and definition of risk analysis and risk management that can impact of this discussion, because I do not comprehend if there is establish connection between revalued asset and impairment loss.</p>	Staff notes the comment, but at this stage does not think that further targeted outreach is justified.
14	B	<p>We agree with the proposed changes to IPSAS 21 and IPSAS 26, as well as the consequential amendments, as these changes will provide users with relevant information on impairment losses to property, plant and equipment and intangible assets measured under the revaluation model.</p> <p>While our stakeholders agree with the overall principle of the recognition and measurement of impairment losses for revalued assets and the reversal thereof, they have questioned the requirement that the impairment loss on a revalued asset should be recognised or reversed against the revaluation surplus for that <u>class of assets</u>. The following issues were noted regarding this approach:</p>	See paragraphs 9,10 and 15 of Agenda Item 7.1

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p><u>Unit of measure</u></p> <p>It was noted that there is a conflict between the unit of measure applied for revaluations, and the unit of measure applied for impairments. IPSAS 17 requires that revaluations are undertaken per class of assets while impairments are determined on an individual asset. Our stakeholders therefore believe that the setting off approach is not as simple as the Board intended it to be. To illustrate: Revaluation increases and decreases must be offset against each other within that class in accordance with IPSAS 17. An entity would however still need to keep track of the increases and decreases relating to the revaluation and impairment of the individual assets because depreciation and impairments are determined for the individual asset. Therefore, the approach does not achieve simplification for the preparers.</p> <p><u>Realisation of the cumulative revaluation surplus</u></p> <p>Our stakeholders required clarity on what proportion of the cumulative revaluation surplus (i.e. net of impairment losses and reversals) will be realised when the individual assets are used or disposed of. For instance, when individual assets are derecognised, it is not immediately clear how much of the cumulative revaluation surplus is attributable to that individual asset, and which should be transferred directly to accumulated surpluses or deficits. Therefore, clarity is required on how paragraph .57 of IPSAS 17 is applied to the net cumulative revaluation surplus when individual assets are used or disposed of.</p> <p><u>Useful management information on the performance of assets</u></p> <p>In addition, we question whether the approach facilitates the provision of useful information on the management of individual assets. The approach allows entities to offset revaluation increases and decreases, as well as impairment losses and reversals against one another, and as a result this may be seen to encourage management to conceal useful management information on the performance of individual assets.</p> <p>We are therefore of the view that the impairment loss, or reversal, should rather be reflected against the revaluation surplus for the individual asset.</p> <p>To address this concern, it is recommended that the IPSASB considers amending the concept of offsetting revaluation increases and decreases for a class of assets in IPSAS 17, such that a revaluation surplus is recognised for individual assets and not for the entire class of assets. The effect in IPSAS 21 and IPSAS 26 is that impairment losses are then recognised or reversed against the revaluation surplus for that individual revalued asset. This amendment will ensure that information on the performance of assets is known and readily available.</p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
15	B	<p>We agree with the changes to IPSAS 21 <i>Impairment of Non-Cash Generating Assets</i>, and IPSAS 26 <i>Impairment of Cash Generating Assets</i> to include property, plant and equipment and intangible assets measured at revalued amounts within the scope of IPSAS 21 and IPSAS 26.</p> <p>We commend the IPSASB for clarifying the objective for this limited scope project which is to ensure that impairment losses and reversals of impairment losses of a revalued asset do not require an entity to revalue the entire class of assets to which that item belongs in order to recognise an impairment loss in respect of that item [BC20E].</p> <p>This change will enable public sector entities in [our jurisdiction] to recognise impairment losses on a single asset when an impairment event such as a fire or earthquake occurs between the annual revaluation cycle for the relevant class of assets. Our recent experience with the devastating [...] earthquakes is a practical example of when this amendment would be used. In this instance it was clear which specific properties were significantly impaired by the events, without revaluing the whole class of assets at considerable expense to taxpayers.</p> <p>This is particularly important in our jurisdiction because the Financial Statements of the Government are published monthly, which requires the government reporting entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. This change will ensure that significant impairments on revalued assets that arise during the year can be reported in the month in which they occur.</p> <p>While we are supportive of the overall proposals we have two areas of concern that we would like to bring to the attention of IPSASB:</p> <ol style="list-style-type: none"> 1. We are concerned about the IPSASB's statement in BC20D that impairments are conceptually different from revaluations. We agree with the IPSASB that assets at revalued amounts can experience impairments from adverse events (e.g. physical damage, obsolescence) which can cause devaluations. However, the current IPSASB literature and guidance on adverse events that causes devaluation under either IPSAS 17 (where adverse changes in value are called revaluation movements) and IPSAS 21 and 26 (where adverse changes in value are called impairments), are virtually the same. As a result we cannot see the basis for the IPSASB concluding that impairments are conceptually different from revaluations. We would therefore ask the IPSASB to either remove this statement from the Basis or expand further how they are conceptually different. 	See paragraphs 9,10, 15 and 16 of Agenda Item 7.1

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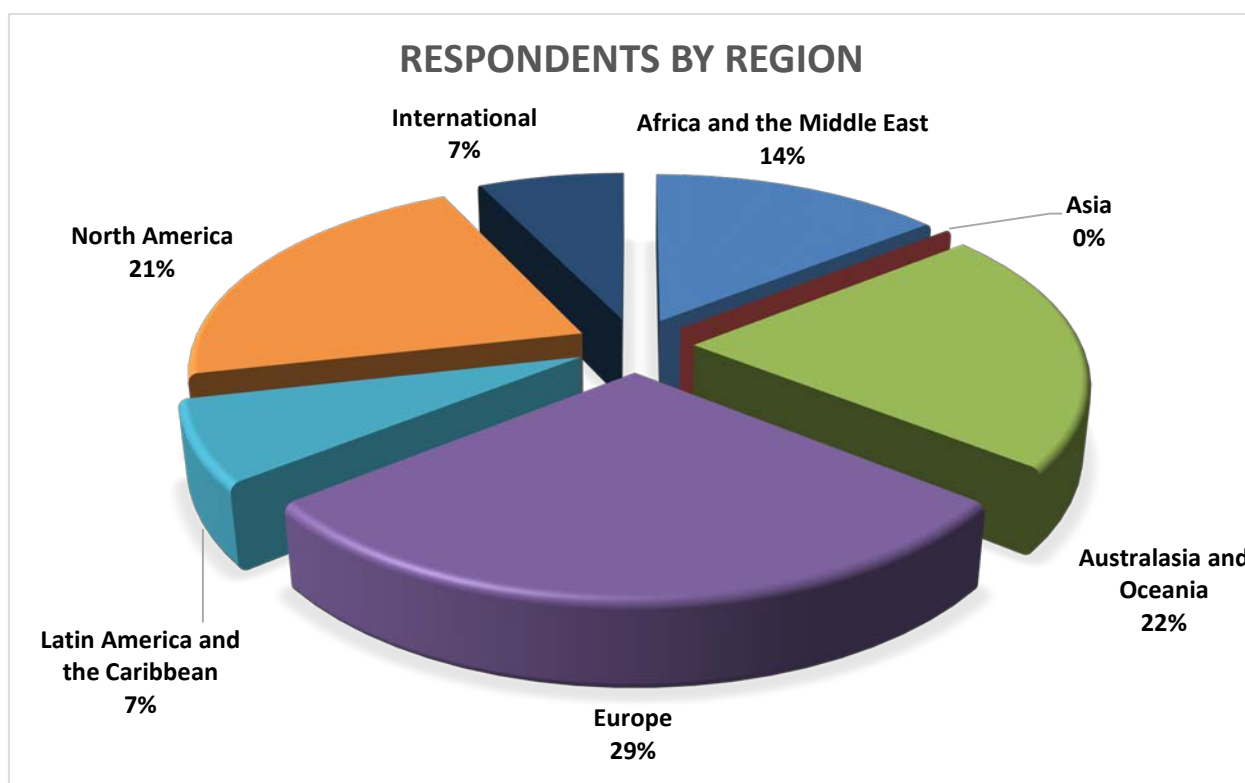
R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>2. On a related matter, in our experience any annual valuation process (or other periodic or rolling valuation cycle) impairments such as physical damage or obsolescence is naturally taken into consideration as part of the valuation to determine the carrying amount or to ensure the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.</p> <p>In our view, any item that changes the carrying value of the asset at the time of the annual valuation process (or other periodic or rolling valuation cycle) is likely to be labelled a revaluation movement and not necessarily identified as a separate “impairment”. We are concerned that the disclosure requirements under IPSAS 21 and IPSAS 26 may require additional expense to be incurred to identify the separate components. We would ask the IPSASB to consider whether the separation of these components is warranted.</p> <p>Aside from the points above we concur with the IPSASB that bringing property, plant and equipment and intangible assets that are measured at revalued amounts within the scope of the impairment standard will not be overly onerous for the preparers of financial statements [BC20F].</p>	

IMPAIRMENT OF REVALUED ASSETS

Analysis of Respondents by Region, Function, and Language

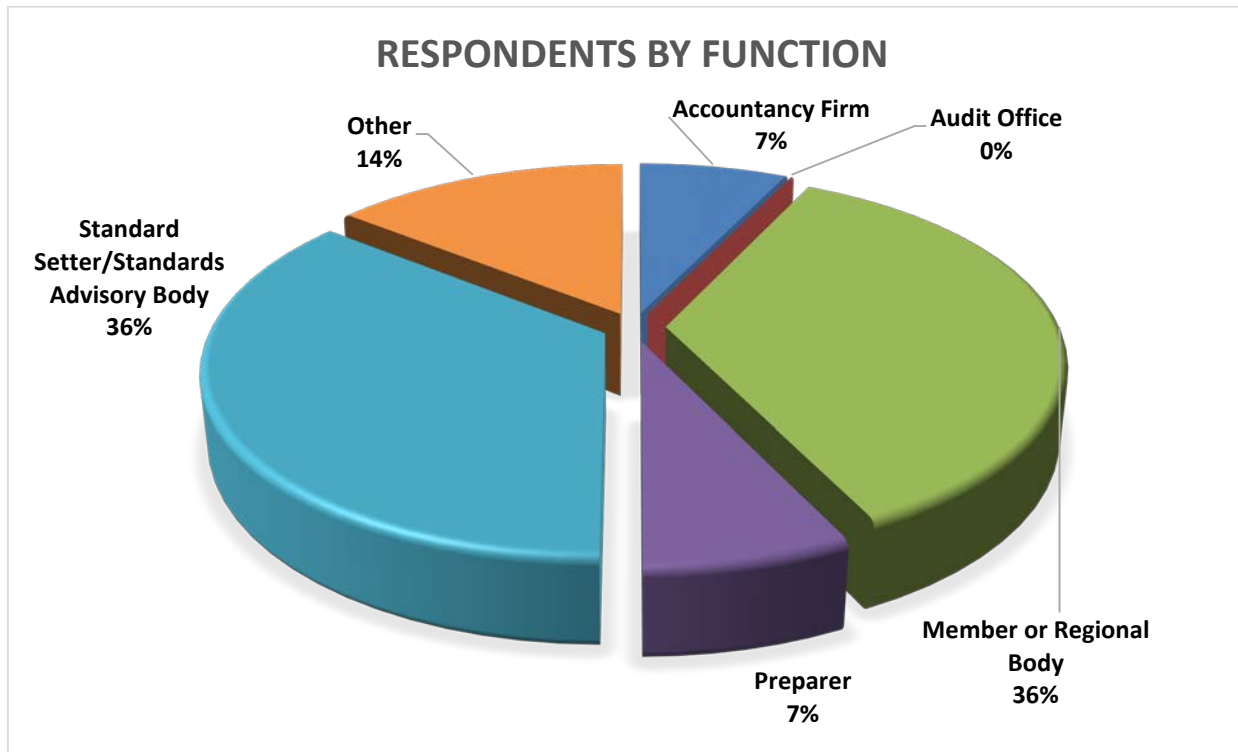
Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	01, 14	2
Asia		0
Australasia and Oceania	03, 07, 09, 15	4
Europe	02, 05, 08, 12	4
Latin America and the Caribbean	13	1
North America	06, 10, 11	3
International	04	1
Total		15



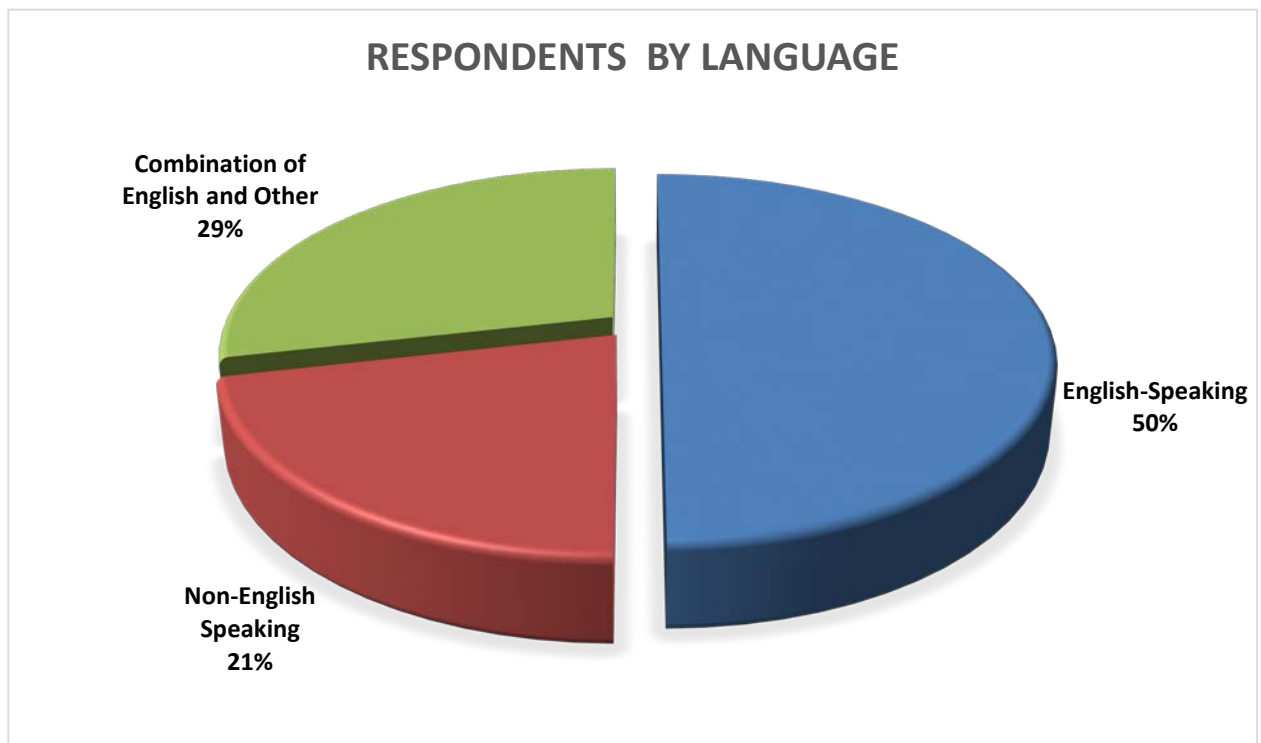
Functional Breakdown

Function	Respondents	Total
Accountancy Firm	04	1
Audit Office		0
Member or Regional Body	01, 08, 09, 10, 12	5
Preparer	07, 15	2
Standard Setter/Standards Advisory Body	02, 03, 05, 06, 14	5
Other	11, 13	2
Total		15



Linguistic Breakdown:

Language	Respondents	Total
English-Speaking	01, 03, 07, 08, 09, 11, 12,15	8
Non-English Speaking	02, 05, 13	3
Combination of English and Other	04, 06, 10, 14	4
Total		15



Exposure Draft 57

October 2015

Comments due: January 15, 2016

*Proposed International Public Sector Accounting
Standard (IPSAS™)*

Impairment of Revalued Assets



International Public
Sector Accounting
Standards Board™

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

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REQUEST FOR COMMENTS

This Exposure Draft, *Impairment of Revalued Assets*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by January 15, 2016.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

The objective of this ED is to amend IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, to include property, plant and equipment and intangible assets measured at revalued amounts within the scope of IPSAS 21 and IPSAS 26.

Guide for Respondents

The IPSASB welcomes comments on all the changes proposed to IPSASs 21 and 26. The ED highlights one specific matter for comment, which is provided below to facilitate the comments. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and include reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

Specific Matter for Comment

The IPSASB proposes to include revalued property, plant and equipment and intangible assets within the scope of IPSAS 21 and IPSAS 26 in order to (a) provide information to users on impairment losses and reversals to property, plant and equipment and intangible assets carried at revalued amounts and (b) clarify that when a revalued asset is impaired and an impairment loss is recognized, an entity is not required to revalue the entire class of assets to which that item belongs..

Do you agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED and the consequential amendments to IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*? If not, please provide your reasons.

IMPAIRMENT OF REVALUED ASSETS (ED 57)

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Objective

1. This Exposure Draft proposes amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, so that assets measured at revalued amounts under the revaluation model in IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*, are within the scope of IPSAS 21 and IPSAS 26.
2. As a result of the proposals, an entity would be required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the entity would then be required to assess the recoverable service amount (non-cash-generating asset) or recoverable amount (cash-generating asset) of that asset and recognize an impairment loss if recoverable service amount or recoverable amount is less than carrying amount.
3. However, where an impairment loss is recognized for an asset that is revalued, an entity would not necessarily be required to revalue the entire class of assets to which that impaired asset belongs as required by IPSAS 17.

Amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*

Paragraphs 2, 54, 69 and 73 are amended, paragraphs 7 and 11 are deleted, and paragraphs 54A, 69A, 81A and 82C are added. New text is underlined and deleted text is struck through.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for impairment of non-cash-generating assets, except:
- (a) ...
 - (d) Investment property that is measured using the fair value model (see IPSAS 16, *Investment Property*); and
 - (e) ~~[Deleted]Non-cash-generating property, plant, and equipment that is measured at revalued amounts (see IPSAS 17, *Property, Plant, and Equipment*);~~
 - (f) ~~[Deleted]Non-cash-generating intangible assets that are measured at revalued amounts (see IPSAS 31, *Intangible Assets*); and~~
 - (g) Other assets in respect of which accounting requirements for impairment are included in another IPSAS.

...

7. ~~[Deleted]This Standard excludes non-cash-generating intangible assets that are regularly revalued to fair value from its scope. This Standard includes all other non-cash-generating intangible assets (e.g., those that are carried at cost less any accumulated amortization) within its scope. Entities apply the requirements of this Standard to recognizing and measuring impairment losses, and reversals of impairment losses, related to such non-cash-generating intangible assets.~~

...

11. ~~[Deleted]This Standard does not require the application of an impairment test to non-cash-generating assets that are carried at revalued amounts under the allowed alternative treatment in IPSAS 17. This is because, under the allowed alternative treatment in IPSAS 17, (a) assets will be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date, and (b) any impairment will be taken into account in the valuation. In addition, the approach adopted in this Standard to measuring an asset's recoverable service amount means that it is unlikely that the recoverable service amount of an asset will be materially less than an asset's revalued amount, and that any such differences would relate to the costs of disposal of the asset.~~

...

Recognizing and Measuring an Impairment Loss

...

54. An impairment loss shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance

with the revaluation model in IPSAS 17 and IPSAS 31). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.

- 54A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.

...

Reversing an Impairment Loss

...

69. **A reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation model in IPSAS 17 and IPSAS 31). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard.**
- 69A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that class of assets. However, to the extent that an impairment loss on the same class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit.

...

Disclosure

...

73. **An entity shall disclose the following for each class of assets:**
- (a) **The amount of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are included; and**
 - (b) **The amount of reversals of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are reversed;**
 - (c) **The amount of impairment losses on revalued assets recognized directly in revaluation surplus during the period; and**
 - (d) **The amount of reversals of impairment losses on revalued assets recognized directly in revaluation surplus during the period.**

...

Transitional Provisions

...

81A. Paragraphs 2, 54, 69 and 73 were amended, paragraphs 7 and 11 were deleted, and paragraphs 54A and 69A were added by *Impairment of Revalued Assets* (Amendments to IPSASs 21 and 26) in [Month] 2016. Those amendments shall be applied prospectively from the date of their application.

...

Effective Date

...

82C. *Impairment of Revalued Assets* amended paragraphs 2, 54, 69 and 73, deleted paragraphs 7 and 11, and added paragraphs 54A, 69A and 81A. An entity shall apply those amendments for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies those amendments for a period beginning before [date], it shall disclose that fact.

Basis for Conclusions

Paragraphs BC17, BC18 and BC19 are amended and paragraphs BC20A to BC20F are added. Paragraph BC20 is not amended but is provided for context. New text is underlined and deleted text is struck through.

Property, Plant and Equipment and Intangible Assets

BC17. At the time this ~~The~~ Standard was approved in December 2004, it did~~does~~ not require the application of an impairment test to non-cash-generating assets that are carried at revalued amounts under the allowed alternative treatment ("revaluation model") in IPSAS 17 and IPSAS 31. The IPSASB ~~was~~is of the view that under the allowed alternative treatment in IPSAS 17 and IPSAS 31, assets would~~will~~ be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value as at the reporting date, and any impairment would~~will~~ be taken into account in the valuation. Therefore any difference between the asset's carrying amount and its fair value less costs to sell would~~will~~ be the disposal costs. The IPSASB ~~was~~is of the view that, in most cases, these would~~will~~ not be material and, from a practical viewpoint, it is not necessary to measure an asset's recoverable service amount and to recognize an impairment loss for the disposal costs of a non-cash-generating asset.

BC18. In contrast to this approach, IAS 36 requires entities to test revalued assets for impairment after they ~~have~~are been revalued. The rationale for this difference was explained by reference to the factors set out in paragraphs BC19 and BC20 below.

BC19. Firstly, there are different methods of determining recoverable service amount under this Standard, and of determining recoverable amount under IAS 36. Recoverable service amount is defined in this Standard as the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Under this Standard, an entity determines an asset's value in use by determining the current cost to replace the asset's remaining service potential. The current cost to replace the asset's remaining service potential is determined using the depreciated replacement cost approach, and approaches described as the restoration cost approach and the service units approach. These approaches may also be adopted to measure fair value under IPSAS 17 and

IPSAS 31 and therefore the value in use is a measure of fair value. Recoverable amount is defined in IAS 36 as the higher of an asset's fair value less costs to sell and its value in use. Value in use under IAS 36 is determined using the present value of the cash flows expected to be derived from continued use of the asset and its eventual disposal. IAS 36 states that the value in use may be different from the fair value of the asset.

- BC20. Secondly, the requirement under IAS 36 to combine non-cash-generating assets with cash-generating assets to form a cash-generating unit is not replicated in this Standard. Under IAS 36, where an asset does not produce cash inflows, it is combined with other assets to form a cash-generating unit, the value in use of which is then measured. The sum of the fair values of the assets that make up a cash-generating unit may be different to the value in use of the cash-generating unit.

Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)

BC20A. As a consequence of requests from jurisdictions that apply IPSASs, the IPSASB revisited the original decision to exclude revalued property, plant and equipment and intangible assets from the scope of IPSAS 21.

BC20B. The IPSASB considers that the rationale in paragraphs BC19 and BC20 for the different requirements in IPSAS 21 and IAS 36 is sound. The IPSASB acknowledged the view that impairments would be taken into account when carrying out revaluations of assets to ensure that their carrying amounts do not differ materially from fair value, as required by paragraph 44 of IPSAS 17 and paragraph 74 of IPSAS 31.

BC20C. The IPSASB also acknowledged that it was ambiguous whether impairment losses and reversals of impairment losses are revaluations, given they are accounted for in a similar manner. Paragraph 51 of IPSAS 17 requires an entire class of assets to be revalued if an item of property, plant and equipment belonging to that class is revalued. Therefore, if impairment losses and reversals of impairment losses are interpreted as revaluations the consequences are onerous. The IPSASB considered that it should resolve this ambiguity.

BC20D. The IPSASB is of the view that impairments are conceptually different from revaluations and that assets carried at revalued amounts can experience impairments. The IPSASB considered it important that users are provided with the quantitative and qualitative information on impairments specified in paragraphs 77 and 78 of IPSAS 21.

BC20E. The IPSASB's objective in clarifying the ambiguity, was to ensure that impairment losses and reversals of impairment losses of a revalued asset did not require an entity to revalue the entire class of assets to which that item belongs in order to recognize an impairment loss in respect of that item.

BC20F. Although including property, plant and equipment and intangible assets that are measured at revalued amounts within the scope of IPSAS 21 means that an entity is required to assess annually whether there is any indication that an asset may be impaired, it is likely that an entity will be aware of any indicators of impairment. The IPSASB therefore concluded that bringing property, plant and equipment and intangible assets that are measured at revalued amounts within the scope of IPSAS 21 will not be overly onerous for the preparers of financial statements.

Amendments to IPSAS 26, *Impairment of Cash-Generating Assets*

Paragraphs 2, 73, 108, 115 and 124 are amended, paragraphs 6 and 11 are deleted, and paragraphs 73A, 108A and 126D are added. New text is underlined and deleted text is struck through.

Scope

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for the impairment of cash-generating assets, except for:
- (a) ...
 - (e) ~~[Deleted]Cash-generating property, plant, and equipment that is measured at revalued amounts (see IPSAS 17, *Property, Plant, and Equipment*);~~
 - (f) ...
 - (h) ~~[Deleted]Cash-generating intangible assets that are measured at revalued amounts (see IPSAS 31, *Intangible Assets*);~~
 - (i) Goodwill;
 - (j) ...
- ...
6. ~~[Deleted]This Standard excludes cash-generating intangible assets that are regularly revalued to fair value from its scope. This Standard includes all other cash-generating intangible assets (for example, those that are carried at cost less any accumulated amortization) within its scope.~~
- ...
11. ~~[Deleted]This Standard does not require the application of an impairment test to cash-generating assets that are carried at revalued amounts under the revaluation model in IPSAS17. Under the revaluation model in IPSAS 17, assets will be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date, and any impairment will be taken into account in that valuation.~~
- ...

Recognizing and Measuring an Impairment Loss

- ...
73. An impairment loss shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation model in IPSAS 17 and IPSAS 31). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.
- 73A. An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.
- ...

Reversing an Impairment Loss for an Individual Asset

...

108. **A reversal of an impairment loss for an asset shall be recognized immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation model in IPSAS 17 and IPSAS 31). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard.**

108A. A reversal of an impairment loss on a revalued asset is recognized directly in the revaluation reserve and increases the revaluation surplus for that class of assets. However, to the extent that an impairment loss on the same class of revalued assets was previously recognized in surplus or deficit, a reversal of that impairment loss is also recognized in surplus or deficit.

...

Disclosure

...

115. **An entity shall disclose the following for each class of assets:**
- (a) **The amount of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are included;**
 - (b) **The amount of reversals of impairment losses recognized in surplus or deficit during the period, and the line item(s) of the statement of financial performance in which those impairment losses are reversed;**
 - (c) **The amount of impairment losses on revalued assets recognized directly in revaluation surplus during the period; and**
 - (d) **The amount of reversals of impairment losses on revalued assets recognized directly in revaluation surplus during the period.**

...

124. **If some or all of the carrying amount of intangible assets with indefinite useful lives is allocated across multiple cash-generating units, and the amount so allocated to each unit is not significant in comparison with the entity's total carrying amount of intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units. In addition, if ~~(a)~~ the recoverable amounts of any of those units are based on the same key assumption(s), and ~~(b)~~ the aggregate carrying amount of intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of intangible assets with indefinite useful lives, an entity shall disclose that fact...**

...

Effective Date

...

126D. Impairment of Revalued Assets amended paragraphs 2, 73, 108, 115 and 124, deleted paragraphs 6 and 11, and added paragraphs 73A and 108A. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies those amendments for a period beginning before [date], it shall disclose that fact.

Basis for Conclusions

Paragraphs BC4 and BC7 are amended and paragraphs BC7A to BC7F are added. Paragraphs BC5 and BC6 are not amended but are provided for context. New text is underlined and deleted text is struck through.

Exclusion of Property, Plant, and Equipment Carried at Revalued Amounts and Intangible Assets that are Regularly Revalued to Fair Value from Scope

- BC4. At the time this Standard was approved in February 2008, the scope of IPSAS 21 excluded~~s~~ non cash-generating property, plant, and equipment carried at revalued amounts in accordance with the revaluation model in IPSAS 17. The Basis for Conclusions in IPSAS 21 ~~stated~~s that the IPSASB ~~was~~is of the view that assets carried at revalued amounts in accordance with the revaluation model in IPSAS 17 ~~would~~will be revalued with sufficient regularity to ensure (a) that they are carried at an amount that is not materially different from their fair value at the reporting date, and (b) that any impairment will be taken into account in that valuation. The IPSASB therefore considered whether a similar scope exclusion should be included in this Standard.
- BC5. The IPSASB acknowledged that property, plant, and equipment held on the revaluation model are within the scope of IAS 36, and considered the view that guidance on determining impairment losses for such assets would be appropriate for public sector entities with assets on the revaluation model. The IPSASB noted that in IAS 36, in cases where the fair value of an item of property, plant and equipment is its market value, the maximum amount of an impairment loss is the disposal costs. In the Basis for Conclusions for IPSAS 21, it is stated that “the IPSASB is of the view that, in most cases, these will not be material and, from a practical viewpoint, it is not necessary to measure an asset’s recoverable service amount and to recognize an impairment loss for the disposal costs of a non-cash-generating asset.” The IPSASB considered that disposal costs are also unlikely to be material for cash-generating assets.
- BC6. For specialized cash-generating assets where fair value has not been derived from market value, IAS 36 requires recoverability to be estimated through the value in use. Because value in use is based on cash flow projection, it might be materially greater or lower than carrying amount. This analysis is also relevant in the public sector. However, it is questionable whether public sector entities hold specialized assets that meet the definition of a cash-generating asset in this Standard.
- BC7. The IPSASB ~~was~~remains of the view that it would be onerous to impose a requirement to test for impairment in addition to the existing requirement in IPSAS 17, i.e., that assets will be revalued with sufficient regularity to ensure that they are carried at an amount that is not materially different from their fair value at the reporting date. Therefore, on balance, the IPSASB concluded that consistency with IPSAS 21 should take precedence over convergence with IAS 36, and that property, plant and equipment carried on the revaluation model in IPSAS 17 should be excluded from the scope of this Standard. Consistent with the approach to property, plant, and equipment, intangible assets that are regularly revalued to fair value ~~were~~are also excluded from the scope.

Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)

- BC7A. As a consequence of requests from jurisdictions that apply IPSASs, the IPSASB revisited the original decision to exclude revalued property, plant and equipment and intangible assets from the scope of IPSAS 26.
- BC7B. The IPSASB considers that the rationale in paragraphs BC5 and BC6 for the different requirements in IPSAS 26 and IAS 36 is sound. The IPSASB acknowledged the view that impairments would be taken into account when carrying out revaluations of assets to ensure that their carrying amounts do not differ materially from fair value, as required by paragraph 44 of IPSAS 17 and paragraph 74 of IPSAS 31.
- BC7C. The IPSASB also acknowledged that it was ambiguous whether impairment losses and reversals of impairment losses are revaluations, given that they are accounted for in a similar manner. Paragraph 51 of IPSAS 17 requires the entire class of assets to be revalued if an item of property, plant and equipment belonging to that class is revalued. Therefore, if impairment losses and reversals of impairment losses are interpreted as revaluations the consequences are onerous. The IPSASB considered that it should resolve this ambiguity.
- BC7D. The IPSASB is of the view that impairments are conceptually different from revaluations and that assets carried at revalued amounts can experience impairments. The IPSASB considered it important that users are provided with the quantitative and qualitative information on impairments specified in paragraphs 120 and 121 of IPSAS 26.
- BC7E. Consistent with IPSAS 21, the IPSASB's objective in clarifying the ambiguity, was to ensure that impairment losses and reversals of impairment losses of a revalued asset did not require an entity to revalue the entire class of assets to which that item belongs in order to recognize an impairment loss in respect of that item.
- BC7F. Although including property, plant and equipment and intangible assets that are measured at revalued amounts within the scope of IPSAS 26 means that an entity is required to assess annually whether there is any indication that an asset may be impaired, it is likely that an entity will be aware of any indicators of impairment. The IPSASB therefore concluded that bringing property, plant and equipment and intangible assets that are measured at revalued amounts within the scope of IPSAS 26 will not be overly onerous for the preparers of financial statements.

Consequential Amendments to Other IPSASs

Amendment to IPSAS 17, *Property, Plant and Equipment*

Paragraphs 51A and 107E are added. Paragraph 51 is not amended but is provided for context. New text is underlined.

...

51. **If an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued.**

51A. Impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26 *Impairment of Cash-Generating Assets* do not of themselves give rise to the need to revalue the class of assets to which that asset belongs.

...

Effective Date

...

107E. ***Impairment of Revalued Assets* (Amendments to IPSASs 21 and 26) added paragraph 51A. An entity shall apply that amendment for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies that amendment for a period beginning before [date], it shall disclose that fact.**

Basis for Conclusions

Paragraph BC10 is added.

Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)

BC10. As a consequence of amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, the IPSASB decided to add paragraph 51A to clarify that the recognition of impairment losses and reversals of impairment losses of an asset do not give rise to the need to revalue the entire class of assets to which that asset belongs.

Amendment to IPSAS 31, *Intangible Assets*

Paragraph 110 is amended and paragraph 132B is added. New text is underlined and deleted text is struck through.

Recoverability of the Carrying Amount—Impairment Losses

110. To determine whether an intangible asset ~~measured under the cost method~~ is impaired, an entity applies either IPSAS 21 or IPSAS 26, as appropriate. ...

...

Effective Date

...

132B. *Impairment of Revalued Assets (Amendments to IPSASs 21 and 26) amended paragraph 110. An entity shall apply that amendment for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies that amendment for a period beginning before [date], it shall disclose that fact.*

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