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The Technical Director  
IPSASB  
New York

14<sup>th</sup> December, 2015

Dear Sir.

## Comments on Exposure Draft: Impairment of Revalued Assets

Thank you for giving us the opportunity to comment on your Exposure draft: **Impairment of Revalued Assets**. We submit herewith our comments and proposals for your perusal.

**Question.** The IPSASB proposes to include revalued property, plant and equipment and intangible assets within 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 provide your reasons.

**Response:** 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.

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.

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.

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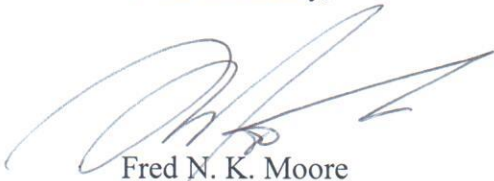
Address all correspondences to: The Chief Executive Officer

### ***Conclusion***

We hope the IPSASB find this letter helpful in further developing the Exposure draft. We are committed to helping the Board in whatever way we can to build upon the results of this Exposure draft document. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Thank you.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'F. N. K. Moore', with a long horizontal flourish extending to the right.

Fred N. K. Moore

Chief Executive Officer



**LE PRÉSIDENT**

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Paris, December 10, 2015

Mr John Stanford  
Technical director  
International Public Sector Accounting  
Standards Board  
International Federation of Accountants  
277 Wellington Street, 4th floor  
Toronto, Ontario M5V 3H2 CANADA

**Re: Response to Exposure Draft ED57 – Impairment of Revalued Assets**

Dear Mr Stanford,

The French Public Sector Accounting Standards Council (CNoCP) is pleased to respond to the Exposure Draft *Impairment of Revalued Assets* published in October 2015 (the ED).

We fully agree with bringing property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*.

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.

Details of our response to the specific matter for comment are set out in the appendix.

Yours sincerely,

Michel Prada





### ***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.*

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.

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 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*.

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 decreases<sup>1</sup>. We observe that that change is aligned with the accounting treatment set out in paragraph 60 of IAS 36 *Impairment of Assets* for impairment losses of revalued assets.

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 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.

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<sup>1</sup> See proposed changes to paragraphs 54 and 54A in IPSAS 21 and to paragraphs 108 and 108A in IPSAS 26.

21 December 2015

Mr John Stanford  
Acting Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto  
Ontario M5V 3H2  
CANADA

Submitted to: [www.ifac.org](http://www.ifac.org)

Dear John

**ED 57 *Impairment of Revalued Assets***

Thank you for the opportunity to comment on ED 57 *Impairment of Revalued Assets* (ED 57). ED 57 was published for comment in New Zealand and some New Zealand constituents may have made comments directly to you.

As you are aware, we wrote to the IPSASB in June 2015 and highlighted some issues that had been raised with us by constituents implementing New Zealand PBE Standards (which are based on IPSASs).

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.

The NZASB 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.

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.

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 *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.



Our reasons for not supporting the proposals in ED 57 are:

- (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.

We discuss these points in more detail under the specific matter for comment in Appendix A of this letter.

In our view, the best way to address the issue would be to make an amendment to IPSAS 17 only. Appendix A 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.

If you have any questions or require clarification of any matters in this submission, please contact Lisa Kelsey ([lisa.kelsey@xrb.govt.nz](mailto:lisa.kelsey@xrb.govt.nz)) or me.

Yours sincerely



Kimberley Crook  
**Chair – New Zealand Accounting Standards Board**

## Appendix A

### 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.

We do not 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*.

Our reasons for not agreeing with the proposals are set out below:

- (a) The original rationale for excluding revalued assets from the scope of the impairment standards is sound.

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.

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).

- (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".

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.

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:

- (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.

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.

- (c) The difficulty of distinguishing between revaluations and impairments to meet the additional disclosure requirements proposed in IPSASs 21 and 26.

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.

Bearing in mind that:

- (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,

the benefit of distinguishing between revaluations and impairments is unlikely to exceed the costs of making that distinction.

- (d) The risk of pre-judging the outcome of the IPSASB project on Public Sector Measurement.

At its meeting in June 2015, the IPSASB approved a two-phase project on Public Sector Measurement.

The NZASB 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.

For the reasons set out above, the NZASB does not support the proposals in ED 57 to bring revalued assets into the scope of the impairment standards.

Pending work on the measurement project, we suggest that the IPSASB amends IPSAS 17 to address the issue that we initially raised.



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.

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.



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15 January 2016

Dear Sir/Madam

## **COMMENT ON EXPOSURE DRAFT 57: IMPAIRMENT OF REVALUED ASSETS**

### ***The Technical Director***

International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 Canada

We welcome the opportunity to comment on Exposure Draft 57: *Impairment of Revalued Assets*.

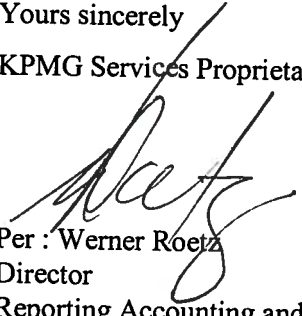
Exposure Draft 57: *Impairment of Revalued Assets* proposes to amend IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, to include property, plant and equipment and intangible assets measured at revalued amounts within the scope of IPSAS 21 and IPSAS 26.

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*.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

KPMG Services Proprietary Limited

  
Per : Werner Roetz  
Director

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Registration number 1999/012876/07

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Chief Executive: TH Hoole

Executive Directors: N Dlomu, M Letsitsi, SL Louw, NKS Malaba, M Oddy, M Saloojee, CAT Smit

Other Directors: ZH De Beer, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), FA Karreem, ME Magondo, AMS Mokgadi, GM Pickering, JN Pierce, T Rossouw, GCC Smith

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



*International Public Sector Accounting Standards Board  
COMMENT ON EXPOSURE DRAFT 57:  
IMPAIRMENT OF REVALUED ASSETS  
15 January 2016*

**SPECIFIC MATTERS FOR COMMENT**

**Specific Matter for Comment 1:**

*Do you agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED? If not, please provide your reasons.*

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 are of the opinion that these changes will better align the IPSASs with the International Financial Reporting Standards.

**Specific Matter for Comment 2:**

*Do you agree with the consequential amendments to IPSAS 17 and IPSAS 31? If not, please provide your reasons.*

We agree with the proposed amendments to IPSAS 17.

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.

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.

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a vertical line and a small flourish.

Stephenie Fox  
Technical Director  
International Public Sector  
Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2  
CANADA

Lausanne, January 11, 2016

## Swiss Comments to

## Exposure Draft 57 Impairment of Revalued Assets

Dear Stephenie,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to Exposure Draft 57 Impairment of Revalued Assets. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Swiss Comments to Exposure Draft 57 Impairment of Revalued Assets

## **Swiss Comment to**

### **ED 57: Impairment of Revalued Assets**

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## **1. Introduction**

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *ED 57 Impairment of Revalued Assets* and comments as follows

## **2. Comments to Exposure Draft 57**

### **2.1. Specific Matter of Comment**

The SRS-CSPCP 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 Swiss entities that apply the IPSASs, namely the Swiss central government, a few cantons and some other public entities (e.g. universities), use the cost model. Therefore they are not affected by the proposed amendments.

Lausanne, October 29, 2015



January 11, 2016

John Stanford  
Deputy Director, IPSASB  
International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2

**Re: PSAB Staff Comments on Exposure Draft 57 on “Impairment of Revalued Assets”**

Thank you for the opportunity to provide input on the Exposure Draft, Impairment of Revalued Assets. The views provided in this comment letter represent the views of the PSAB staff and not those of the Public Sector Accounting Board (PSAB).

We support the proposed amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets* as well as the consequential amendments to IPSAS 17, *Property, Plant and Equipment* and IPSAS 31, *Intangible Assets*. 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.

Thank you again for the opportunity to provide you with input on this Exposure Draft. We hope that you find our comments helpful.

Sincerely,

Joanna Chrzanowski, CPA, CA  
Principal  
Public Sector Accounting

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**Specific Matter for Comment**

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.

We **agree** with the changes to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, proposed in the ED and the consequential amendments to IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*.

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.

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.



**ACT**  
Government

Chief Minister and Treasury

Mr John Stanford  
Deputy Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street  
Toronto, Ontario, M5V 3H2  
CANADA

Dear Mr Stanford

**Exposure Draft 57 *Impairment of Revalued Assets***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board on Exposure Draft 57 *Impairment of Revalued Assets*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC supports the proposal to bring assets held at revalued amounts within the scope of the IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets* and to not require revaluation of the entire class of assets when an impairment loss is recognised for an asset that is revalued. HoTARAC agrees with BC20F of the Exposure Draft that these changes are unlikely to be onerous for preparers of financial statements.

HoTARAC 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.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance on +61 2 6215 3551 or by email to [peter.gibson@finance.gov.au](mailto:peter.gibson@finance.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Nicol'.

David Nicol  
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee  
12 January 2016



# ICAEW REPRESENTATION

## 05/2016

### Exposure Draft 57 – Impairment of Revalued Assets

ICAEW welcomes the opportunity to comment on the *Impairment of Revalued Assets* exposure draft published by the International Public Sector Accounting Standards Board (IPSASB) in October 2015, a copy of which is available from this [link](#).

This response of 12 January 2016 has been prepared on behalf of ICAEW by the Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. Comments on public sector financial reporting are prepared with the assistance of the Faculty's Public Sector Development Committee. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 146,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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[icaew.com](http://icaew.com)

## MAJOR POINTS

### Support for the exposure draft

1. 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.

### Transparency and stewardship

2. 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 UK model of reporting impairments (which prevailed under FRS 15) 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.

## RESPONSES TO QUESTIONS

**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.**

3. We agree with the changes proposed in the ED for the following reasons:
  - a) The promotion of further alignment between IPSASs and IFRSs;
  - 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;
  - c) Affirmation that impairments are different from revaluations and that revalued assets can experience impairments.

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.

4. 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
5. 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.



13 January 2016

Mr John Stanford  
Deputy Director  
International Public Sector Accounting Standards Board  
277 Wellington Street  
Toronto, Ontario, M5V 3H2  
Canada

**CPA Australia Ltd**  
ABN 64 008 392 452  
Level 20, 28 Freshwater Place  
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Australia  
GPO Box 2820  
Melbourne VIC 3001  
Australia  
**Phone** 1300 737 373  
**Outside Aust** +613 9606 9677  
**Website** [cpaaustralia.com.au](http://cpaaustralia.com.au)

Via online submission: [www.ipsasb.org](http://www.ipsasb.org)

Dear John

### **Exposure Draft 57: Impairment of Revalued Assets**

CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 155,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia 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*.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Eva Tsahuridu'.

Dr Eva Tsahuridu  
Manager – Accounting Policy



**ASOCIACION INTERAMERICANA DE CONTABILIDAD  
INTERAMERICAN ACCOUNTING ASSOCIATION  
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, January 14th, 2016

Members of the Group

**THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD  
GOVERNANCE REVIEW GROUP**

REF: Exposure Draft 57, Impairment of Revalued Assets of the International Public Sector Accounting Standards Board (IPSASB)

Dear Members of the Group,

The Inter-American Accounting Association (IAA) (AIC – in Spanish), welcomes the opportunity to comment on the **Consultation Paper “Exposure Draft 57, Impairment of Revalued Assets of the International Public Sector Accounting Standards Board (IPSASB)”**

This reply summarizes the views of different member countries of the IAA, according to the following due process:

**Due process:**

The Draft was submitted to the different IAA member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Antonio Gómez Espiñeira  
**PRESIDENT**





**ASOCIACION INTERAMERICANA DE CONTABILIDAD  
INTERAMERICAN ACCOUNTING ASSOCIATION  
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

**Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to ““Consultation Paper “Exposure Draft 57, Impairment of Revalued Assets of the International Public Sector Accounting Standards Board (IPSASB)”**

We have the following comments:

## **Exposure Draft 57**

### **Impairment of Revalued Assets**

#### ***Matters***

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

#### **Recognizing and Measuring an Impairment Loss**

1. We propose the following reaction:

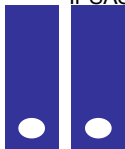
54A An impairment loss on a non-revalued asset is recognized in surplus or deficit. However, an impairment loss on a revalued asset is recognized in revaluation surplus, diminishing to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets.

#### ***Justification of our proposal:***

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.

#### **.Effective Date**

2. Added Paragraphs: 54A, 69A, 81A and 81 C, therefore, understand that latter corresponds add number 81C between additions.



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

### **Recognizing and Measuring an Impairment Loss**

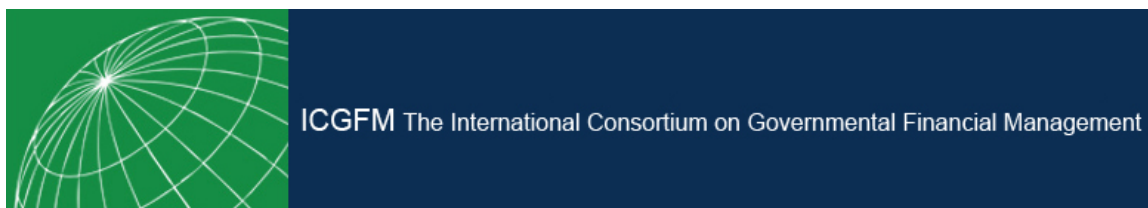
#### ***We propose the following reaction:***

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.

#### ***Justification of our proposal:***

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 further propose the additional paragraph is removed such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.

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.



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January 11, 2016

The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West, 6th Floor  
Toronto, Ontario M5V 3H2 CANADA

Dear Sir

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to IPSAS ED57 - 'Impairment of Revalued Assets'.
2. We support the changes proposed within ED57. The proposed changes bring clarity to the treatment of revalued assets and enhance consistency with other standards.
3. We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Michael Parry at [Michael.parry@michaelparry.com](mailto:Michael.parry@michaelparry.com) or on +44 7525 763381.

Yours faithfully,

**Michael Parry**

ICGFM Accounting Standards Committee

Michael Parry, Chair

Andrew Wynne

Anne Owuor

Hassan Ouda

Iheariyi Anyahara

Jesse Hughes

Kennedy Musonda

Mark Silins

Maru Tjihumino

Masud Mazaffar

Nino Tchelishvili

Paul Waiswa

Steve Glauber

Tony Bennett

Cc: Jack Maykoski  
President, ICGFM

Exposure Draft 57 *Impairment of Revalued Assets*

Exposure Draft 58 *Improvements to IPSASs 2015*

# **response to exposure drafts**

15 January 2016

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 160115 SC0222

International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street, 4th Floor  
Toronto  
Ontario M5V 3H2  
CANADA  
Submitted electronically

January 2015

Dear IPSASB secretariat

**Exposure Draft 57 *Impairment of Revalued Assets***

**Exposure Draft 58 *Improvements to IPSASs 2015***

CIPFA is pleased to present its comments on these Exposure Drafts, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

CIPFA supports all of the proposed amendments and improvements. Comments on the exposure drafts are provided in the attached annex.

I hope this is a helpful contribution to the Board's standards development process. If you have any questions about this response, please contact Steven Cain (e: [steven.cain@cipfa.org](mailto:steven.cain@cipfa.org), t: +44(0)20 7543 5794).

Yours sincerely

Alison Scott  
Head of Standards and Financial Reporting  
CIPFA  
77 Mansell Street, London E1 8AN  
t: +44(0)1604 889451  
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## ANNEX

### Specific Matter for Comment ED 57

*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.*

CIPFA agrees with the current proposals to broaden the scope of the impairment standards. CIPFA'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.

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.

## Comments on ED 58

### Part I: Conceptual Framework Improvements to IPSASs

*Consequential amendments related to Chapters 1–4 of the Conceptual Framework for Financial Reporting in the Public Sector. These relate to the Qualitative Characteristics, accounting policies and the hierarchy of sources used in the selection and application of accounting policies.*

CIPFA agrees with the main amendments made to align IPSAS terminology with the conceptual framework.

*The Conceptual Framework adopted "faithful representation" as a qualitative characteristic, rather than "reliability". The IPSASB decided not to make piecemeal changes to recognition criteria and guidance on measurement before considering changes to IPSASs arising from Chapter 5, Elements and Chapter 6, Recognition of the Conceptual Framework. Therefore an explanation of the term "reliability" will be included in a footnote on the first usage of "reliably" or "reliable" in IPSASs containing requirements on recognition or aspects of measurement uncertainty.*

CIPFA agrees that in the specific context of recognition and measurement, it is more difficult to reframe the material currently articulated in terms of reliability. We also agree with BC15 which explains that a piecemeal approach would not be beneficial in advance of a fuller review of recognition criteria and related guidance.

We therefore agree with the drafting approach proposed.

### Part II: General Improvements to IPSASs

*Amendments to remove references to the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations.*

*Amendments to clarify the inconsistency between IPSAS 32 and IPSAS 17, Property, Plant, and Equipment, over dissimilar assets being accounted for as a class of assets.*

CIPFA agrees with the proposed amendments.

<b>Part III: Government Finance Statistics Improvements to IPSASs</b>
---

CIPFA agrees that the reframing of military assets terminology in line with the GFS terminology is helpful and provides clearer more informative reporting.
---

<b>Part IV: IASB Improvements to IPSASs</b>
---

CIPFA agrees with the proposed amendments. As observed by IASB when amending its directly related standards, the economic characteristics of 'bearer plants' are more similar to property, plant and equipment than those biological assets for which the agriculture standard was developed.
---

**Denise Silva Ferreira Juvenal**

**[rio1042370@terra.com.br](mailto:rio1042370@terra.com.br)**

**Accountant**

**Commentary individual**

**Rio de Janeiro / Brazil**

**The Technical Director**

**International Public Sector Accounting Standards Board**

**International Federation on Accountants**

**277 Wellington Street West**

**Toronto, Ontario M5V 3H2 CANADA**

**January 20, 2016**

### **Impairment of Revalued Assets**

I am Denise Juvenal this pleased to have the opportunity to comment on this consultation about Impairment of Revalued Assets. This is my individual commentary for International Federation on Accountants – IFAC/IPSASb.

#### **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..

### **Questions for Respondents**

**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.**

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.

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.

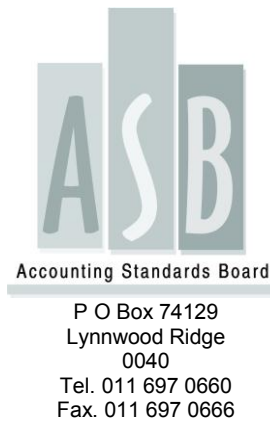
Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, [rio1042370@terra.com.br](mailto:rio1042370@terra.com.br).

Yours,

Denise Silva Ferreira Juvenal

[rio1042370@terra.com.br](mailto:rio1042370@terra.com.br)

5521993493961



The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 Canada  
Per e-mail

15 January 2016

Dear John,

**COMMENT ON EXPOSURE DRAFT 57 ON *IMPAIRMENT OF REVALUED ASSETS***

We welcome the opportunity to comment on Exposure Draft 57 (ED 57) on *Impairment of Revalued Assets*.

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.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating these comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

Jeanine Poggiolini

Technical Director

Board Members: Ms T Coetzer, Mr B Colyvas, Ms I Lubbe, Mr M Kunene, Mr K Makwetu,  
Mr V Ndzimande, Ms N Ranchod, Ms R Rasikhinya, Ms C Wurayayi  
Alternates: Mr S Badat, Ms L Bodewig  
Chief Executive Officer: Ms E Swart Technical Director: Ms J Poggiolini



## **ANNEXURE A – DETAILED RESPONSES**

### **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 recognised, 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, and IPSAS 31? If not, please provide your reasons.*

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.

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 class of assets. The following issues were noted regarding this approach:

#### **Unit of measure**

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.

#### **Realisation of the cumulative revaluation surplus**

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.

#### **Useful management information on the performance of assets**

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.

We are therefore of the view that the impairment loss, or reversal, should rather be reflected against the revaluation surplus for the individual asset.

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.

22 January 2016

Mr John Stanford  
The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017 United States of America

Dear John

## **Exposure Draft 57: Impairment of Revalued Assets**

The New Zealand Treasury welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board on ED 57: *Impairment of Revalued Assets*

We agree with the changes to 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.

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].

This change will enable public sector entities in New Zealand 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 Canterbury 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.

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.

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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:

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.
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.

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.

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].

Yours sincerely



Nicola Haslam  
Manager, Fiscal Reporting