

## Agenda Item 4: Impairment of Revalued Assets

John Stanford  
Acting Technical Director

IPSASB Meeting  
September 22-25, 2015  
Toronto, Canada

## Objective and Material Presented

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

## Introduction (Issues Paper paragraphs 1-2)

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

## Background (Issues Paper paragraphs 3-10)

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

## Background (Issues Paper paragraphs 4-8)

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

## Background (Issues Paper paragraphs 9-10)

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

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

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

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

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

*Matter for Consideration: Do members support this approach?*

## Review of ED 57

- Page-by page Review

## Consultation Period (Issues Paper paragraph 17)

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

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



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

---