

Recoverable Amount Disclosures for Non-Financial Assets (Diff Rep)
(Amendments to NZ IAS 36 (Diff Rep))



NZ ACCOUNTING
STANDARDS
BOARD

**Recoverable Amount Disclosures for Non-Financial Assets (Diff Rep)
(Amendments to NZ IAS 36 (Diff Rep))**

Issued June 2013

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

Recoverable Amount Disclosures for Non-Financial Assets (Diff Rep)
(Amendments to NZ IAS 36 (Diff Rep))

COPYRIGHT

© External Reporting Board (“XRB”) 2013

This XRB standard contains International Financial Reporting Standards (“IFRS”) Foundation copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

All existing rights (including copyrights) in this material outside of New Zealand are reserved by the IFRS Foundation. Reproduction of XRB standards outside of New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside New Zealand should be addressed to the IFRS Foundation.

ISBN 978-1-927238-73-8

Recoverable Amount Disclosures for Non-Financial Assets (Diff Rep)
(Amendments to NZ IAS 36 (Diff Rep))

CONTENTS

INTRODUCTION

AMENDMENTS TO NZ IAS 36 (Diff Rep) *IMPAIRMENT OF ASSETS*

CONSEQUENTIAL AMENDMENTS TO XRB A1 *ACCOUNTING STANDARDS FRAMEWORK*

Introduction

This document sets out amendments to NZ IAS 36 (Diff Rep) *Impairment of Assets*. These amendments result from the proposals in, and the feedback received on, the IASB Exposure Draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36) that was published in January 2013.

When the International Accounting Standards Board (IASB) issued IFRS 13 *Fair Value Measurement*, it decided to amend IAS 36 to require the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. However, the IASB learned that the amendments did not accurately reflect its intention. The unintended result of those amendments were that an entity would instead be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. Consequently, the amendments issued in this document align the disclosure requirements in IAS 36 with the IASB's original intention. For the same reason, the IASB has also amended IAS 36 to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal, consistently with the disclosure requirements for impaired assets in US GAAP.

Moreover, the amendments issued in this document incorporate an amendment proposed by the Exposure Draft ED/2012/1 *Annual Improvements to IFRSs 2010–2012 Cycle*, published in May 2012, to require an entity to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention behind that amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets.

Amendments to NZ IAS 36 (Diff Rep) *Impairment of Assets*

Scope

These amendments apply only to Tier 3 for-profit entities that elect to apply the requirements.

Paragraphs 130 and 134 and the heading above paragraph 138 are amended and paragraph 140J is added. New text is underlined and deleted text is struck through.

Disclosure

- ...
- *130 An entity shall disclose the following for an individual asset (including goodwill) or a cash-generating unit, for which an each-material impairment loss has been recognised or reversed during the period ~~for an individual asset, including goodwill, or a cash-generating unit:~~
- (a) ...
 - (e) the recoverable amount of the asset (cash-generating unit) and whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use.
 - (f) if the recoverable amount is fair value less costs of disposal, the basis used to measure fair value less costs of disposal (such as whether fair value was measured by reference to a quoted price in an active market for an identical asset). An entity is not required to provide the disclosures required by NZ IFRS 13 (Diff Rep), the entity shall disclose the following information:
 - (i) the level of the fair value hierarchy (see NZ IFRS 13 (Diff Rep)) within which the fair value measurement of the asset (cash-generating unit) is categorised in its entirety (without taking into account whether the ‘costs of disposal’ are observable);
 - (ii) for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, the entity shall disclose that change and the reason(s) for making it; and
 - (iii) for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset’s (cash-generating unit’s) recoverable amount is most sensitive. The entity shall also disclose the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.
 - (g) ...
- ...

Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives

- 134 An entity shall disclose the information required by (a)–(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives:
- (a) ...

Recoverable Amount Disclosures for Non-Financial Assets (Diff Rep)
(Amendments to NZ IAS 36 (Diff Rep))

*** (c) ~~the recoverable amount of the unit (or group of units) and the basis on which the unit's (group of units') recoverable amount has been determined (ie value in use or fair value less costs of disposal).~~**

*** (d) ...**

...

Transitional provisions and effective date

138 ...

140J In June 2013 paragraphs 130 and 134 and the heading above paragraph 138 were amended. An entity shall apply those amendments retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply NZ IFRS 13 (Diff Rep).

Consequential Amendments to XRB A1 Accounting Standards Framework (For-profit Entities Update) and XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities Update)

APPENDIX C

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 3 FOR-PROFIT ENTITIES

...

This appendix lists the NZ IFRS and other New Zealand standards and pronouncement that have authoritative support within New Zealand for Tier 3 for-profit entities.

Standards

NZ IFRS 1 (Diff Rep) *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*

...

NZ IAS 36 (Diff Rep) *Impairment of Assets*
Recoverable Amount Disclosures for Non-Financial Assets (Optional application)

NZ IAS 37 (Diff Rep) *Provisions, Contingent Liabilities and Contingent Assets*

...