

## **IMPAIRMENT OF REVALUED ASSETS (AMENDMENTS TO PBE IPSASs 21 AND 26)**

This Standard was issued on 13 April 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 11 May 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in Part C.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard amends PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets* so that assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets* are within the scope of PBE IPSAS 21 and PBE IPSAS 26. Where an impairment loss is recognised for an asset, or group of assets, that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset, or group of assets, belongs.

**IMPAIRMENT OF REVALUED ASSETS  
(AMENDMENTS TO PBE IPSASs 21 AND 26)**

**COPYRIGHT**

© External Reporting Board (XRB) 2017

This XRB standard contains copyright material and reproduces, with the permission of the International Federation of Accountants (IFAC), parts of the corresponding international standard issued by the International Public Sector Accounting Standards Board (IPSASB), and published by IFAC. 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](mailto:enquiries@xrb.govt.nz)

All existing rights (including copyrights) in this material outside of New Zealand are reserved by IFAC, with the exception of the right to reproduce for the purposes of personal use or other fair dealing. Further information can be obtained from IFAC at [www.ifac.org](http://www.ifac.org) or by writing to [permissions@ifac.org](mailto:permissions@ifac.org)

ISBN 978-0-947505-34-9

**IMPAIRMENT OF REVALUED ASSETS  
(AMENDMENTS TO PBE IPSASs 21 AND 26)**

**CONTENTS**

---

	Page
Part A Introduction	4
Part B Amendments to PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i>	5
Amendments to PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>	7
Amendments to Other PBE Standards	10
Part C Effective Date	12

## **Part A**

### **Introduction**

This Standard amends PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets* so that assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets* are within the scope of PBE IPSAS 21 and PBE IPSAS 26.

As a result of the amendments, an entity is required to assess at each reporting date whether there is any indication that an asset, or group of assets, may be impaired. If any indication exists, the entity is then required to assess the recoverable service amount (non-cash-generating asset) or recoverable amount (cash-generating asset) of that asset, or group of assets, and recognise an impairment loss if the recoverable service amount or recoverable amount is less than the carrying amount.

However, where an impairment loss is recognised for an asset, or group of assets, that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset, or group of assets, belongs.

## Part B

### Scope

---

This Standard applies to Tier 1 and Tier 2 public benefit entities.

### Amendments to PBE 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 and 83.5 are added. New text is underlined and deleted text is struck through.

### Scope

2. **An entity that prepares and presents financial statements 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 PBE IPSAS 16 *Investment Property*);**
  - (e) ~~[Deleted by IPSASB]Non-cash-generating property, plant and equipment that is measured at revalued amounts (see PBE IPSAS 17 *Property, Plant and Equipment*);~~
  - (f) ~~[Deleted by IPSASB]Non-cash-generating intangible assets that are measured at revalued amounts (see PBE IPSAS 31 *Intangible Assets*);~~
  - (g) ...
7. ~~[Deleted by IPSASB]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 amortisation) within its scope. Entities apply the requirements of this Standard to recognising and measuring impairment losses, and reversals of impairment losses, related to such non-cash-generating intangible assets.~~
- ...
11. ~~[Deleted by IPSASB]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 PBE IPSAS 17. This is because, under the allowed alternative treatment in PBE 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.~~

### Recognising and Measuring an Impairment Loss

- ...
54. **An impairment loss shall be recognised 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 PBE IPSAS 17 and PBE IPSAS 31 *Intangible Assets*). 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 recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets or asset in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets or asset.

...

## Reversing an Impairment Loss

...

69. **A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation model in PBE IPSAS 17 and PBE 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 recognised in other comprehensive revenue and expense and increases the revaluation surplus for that class of assets or asset in accordance with the relevant standard. However, to the extent that an impairment loss on the same class of revalued assets or asset was previously recognised in surplus or deficit, a reversal of that impairment loss is also recognised in surplus or deficit.

...

## Disclosure

...

73. **An entity shall disclose the following for each class of assets:**

- (a) **The amount of impairment losses recognised in surplus or deficit during the period, and the line item(s) of the statement of comprehensive revenue and expense in which those impairment losses are included; ~~and~~**
- (b) **The amount of reversals of impairment losses recognised in surplus or deficit during the period, and the line item(s) of the statement of comprehensive revenue and expense in which those impairment losses are reversed;**
- (c) **The amount of impairment losses on revalued assets recognised in other comprehensive revenue and expense during the period; and**
- (d) **The amount of reversals of impairment losses on revalued assets recognised in other comprehensive revenue and expense during the period.**

...

## Effective Date

...

83.5 **Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in March 2017, amended paragraphs 2, 54, 69 and 73, deleted paragraphs 7 and 11, and added paragraphs 54A and 69A. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 21.*

Paragraphs BC3 and BC4 and a heading are added. New text is underlined.

### **Impairment of Revalued Assets**

BC3. In July 2016, the IPSASB issued *Impairment of Revalued Assets (Amendments to IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets)*, which amended the scope of both standards to include property, plant and equipment and intangible assets measured at revalued amounts.

BC4. The NZASB subsequently amended PBE IPSAS 21 and PBE IPSAS 26 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in March 2017. In addition to incorporating the IPSASB's amendments, the NZASB modified the wording to be consistent with PBE IPSAS 31, whereby intangible assets are revalued on an asset-by-asset basis.

## Amendments to PBE 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 127.6 are added. New text is underlined and deleted text is struck through.

### Scope

2. An entity that prepares and presents financial statements shall apply this Standard in accounting for the impairment of cash-generating assets, except for:

(a) ...

(e) ~~[Deleted by IPSASB]Cash-generating property, plant and equipment that is measured at revalued amounts (see PBE IPSAS 17 *Property, Plant and Equipment*);~~

(f) ...

(h) ~~[Deleted by IPSASB]Cash-generating intangible assets that are measured at revalued amounts (see PBE IPSAS 31 *Intangible Assets*);~~

(i) ...

...

6. ~~[Deleted by IPSASB]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 amortisation) within its scope.~~

...

11. ~~[Deleted by IPSASB]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 PBE IPSAS17. Under the revaluation model in PBE 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.~~

...

## Recognising and Measuring an Impairment Loss of an Individual Asset

...

73. **An impairment loss shall be recognised 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 PBE IPSAS 17 and PBE IPSAS 31 *Intangible Assets*). 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 recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets or asset in accordance with the relevant standard. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets or asset.

...

## Reversing an Impairment Loss for an Individual Asset

...

108. **A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another Standard (for example, the revaluation model in PBE IPSAS 17 and PBE 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 recognised in other comprehensive revenue and expense and increases the revaluation surplus for that class of assets or asset in accordance with the relevant standard. However, to the extent that an impairment loss on the same class of revalued assets or asset was previously recognised in surplus or deficit, a reversal of that impairment loss is also recognised in surplus or deficit.

...

## Disclosure

...

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

...

- \*124. **If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units**



(groups of units). In addition, if ~~(a)~~ the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s), and ~~(b)~~ the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact...

...

## Effective Date

...

**127.6 Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in March 2017, 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 1 January 2019. Earlier application is permitted. If an entity applies those amendments for an earlier it shall disclose that fact.**

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 26.*

Paragraphs BC8 and BC9 and a heading are added. New text is underlined.
---

### **Impairment of Revalued Assets**

- BC8. In July 2016, the IPSASB issued *Impairment of Revalued Assets (Amendments to IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets)*, which amended the scope of both standards to include property, plant and equipment and intangible assets measured at revalued amounts.
- BC9. The NZASB subsequently amended PBE IPSAS 21 and PBE IPSAS 26 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in March 2017. In addition to incorporating the IPSASB's amendments, the NZASB modified the wording to be consistent with PBE IPSAS 31, whereby intangible assets are revalued on an asset-by-asset basis.

## Amendments to Other Standards

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

Paragraph 79 is amended and paragraphs 51A and 108.8 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 PBE IPSAS 21 and PBE IPSAS 26 *Impairment of Cash-Generating Assets*, do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.

...

#### Impairment

79. To determine whether an item of property, plant and equipment is impaired, an entity applies PBE IPSAS 21 or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognises, or reverses the recognition of, an impairment loss.

#### Effective Date

...

108.8. **Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in March 2017, amended paragraph 79 and added paragraph 51A. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.**

#### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 17.*

Paragraph BC21 and a heading are added. New text is underlined.

#### **Impairment of Revalued Assets**

BC21. In July 2016, the IPSASB issued *Impairment of Revalued Assets (Amendments to IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*)*, which amended the scope of both standards to include property, plant and equipment and intangible assets measured at revalued amounts and also amended IPSAS 17 to clarify that the recognition of impairment losses and reversals of impairment losses for a revalued asset does not necessarily require the entire class of assets to which that item belongs to be revalued. The NZASB subsequently amended PBE IPSAS 17 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in March 2017.

## Amendment to PBE IPSAS 31 *Intangible Assets*

Paragraphs 109 and 110 are amended and paragraph 133.5 is added. New text is underlined and deleted text is struck through.

### Review of Useful Life Assessment

...

109. ~~For intangible assets measured under the cost model, reassessing the useful life of an intangible asset as finite rather than indefinite~~ In accordance with either PBE IPSAS 21 or PBE IPSAS 26, as appropriate, reassessing the useful life of an intangible asset as finite rather than indefinite, is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable service amount or its recoverable amount, determined in accordance with either PBE IPSAS 21 or PBE IPSAS 26, as appropriate, with its carrying amount, and recognising any excess of the carrying amount over the recoverable service amount or recoverable amount as appropriate, as an impairment loss.

### Recoverability of the Carrying Amount—Impairment Losses

110. ~~To determine whether an intangible asset measured under the cost model~~ is impaired, an entity applies either PBE IPSAS 21 or PBE IPSAS 26, as appropriate. Those Standards explain when and how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, as appropriate, and when it recognises or reverses an impairment loss.

...

### Effective Date

...

- 133.5 *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in March 2017, amended paragraphs 109 and 110. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.***

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 31.*

Paragraph BC10 and a heading are added. New text is underlined.

### **Impairment of Revalued Assets**

**BC10. In July 2016, the IPSASB issued *Impairment of Revalued Assets (Amendments to IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*)*, which amended the scope of both standards to include property, plant and equipment and intangible assets measured at revalued amounts and also amended IPSAS 31 to remove reference to assets measured under the cost model when referring to impairment of intangible assets. The NZASB subsequently amended PBE IPSAS 31 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in March 2017.**

## **Part C**

### **Effective Date**

This Standard is effective for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted.