

10 February 2017

Warren Allen
Chief Executive
External Reporting Board
PO Box 11250
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Via email: submissions@xrb.govt.nz

Dear Warren

EXPOSURE DRAFT NZASB 2016-10 *IMPAIRMENT OF REVALUED ASSETS* (PROPOSED AMENDMENTS TO PBE IPSASs 21 AND 26)

Introduction

1. The purpose of this submission is to provide the New Zealand Accounting Standards Board (“NZASB”) with BDO’s comments on Exposure Draft NZASB 2016-10 *Impairment of Revalued Assets* (Proposed Amendments to PBE IPSASs 21 and 26) (“the Exposure Draft”). More information on BDO is provided in Appendix A to this letter. Thank you for the opportunity to comment on the Exposure Draft.
2. We acknowledge that this submission will be made publicly available.

General comments

3. BDO considers that high quality financial reporting standards are important to public benefit entities (“PBEs”). For that reason, BDO supports New Zealand’s adoption of International Public Sector Accounting Standards (“IPSAS”) and agrees that PBE Standards should be aligned with IPSAS to the greatest extent possible.
4. BDO notes that:
 - a) The Exposure Draft proposes amendments to PBE IPSAS 17 *Property, Plant and Equipment*, PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets*, PBE IPSAS 26 *Impairment of Cash-Generating Assets* and PBE IPSAS 31 *Intangible Assets*
 - b) The purpose of the proposed amendments is to clarify that, where a revalued item of property, plant and equipment, or a revalued intangible asset, is impaired, it does not necessarily lead to a requirement to revalue the entire class of assets to which the impaired asset belongs
 - c) The proposed amendments mirror recent changes made to IPSAS
 - d) The proposed amendments align the requirements for PBEs more closely with the requirements for for-profit entities.

5. BDO agrees that the amendments proposed in the Exposure Draft should be made.
6. BDO also notes, and supports, the NZASB's intended effective date for adoption of the proposed amendments and agrees that early adoption of the proposed amendments should be permitted.

Responses to questions posed in the Exposure Draft

7. Our response to each of the questions posed in the Exposure Draft is provided in Appendix B to this letter.

Conclusion

8. We support the issue of a final standard based on the Exposure Draft, the proposed effective date and the proposal that early adoption of the amendments be permitted.
9. If you require further information, or would like to discuss any aspect of our submission further, please do not hesitate to contact Michael Rondel or, in his absence, Jackie Russell-Green.

Yours sincerely
BDO New Zealand



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**APPENDIX A:
INFORMATION ON BDO**

1. BDO is a network of eleven independently owned accounting practices, with fifteen offices located throughout New Zealand.
2. BDO firms in New Zealand offer a full range of accountancy services, including business advisory, audit, taxation, risk advisory, internal audit, corporate finance, forensic accounting and business recovery and insolvency.
3. BDO in New Zealand has 91 partners and over 750 staff.
4. BDO firms throughout New Zealand have a significant number of PBE clients.
5. Five BDO firms in New Zealand (BDO Auckland, BDO Christchurch, BDO Northland, BDO Waikato and BDO Wellington) are registered audit firms and fourteen audit partners are licensed auditors.
6. Internationally, BDO is the fifth largest full-service audit, tax and advisory firm in the world, with almost 60,000 people in 1,328 offices across over 152 territories.

**APPENDIX B:
RESPONSES TO QUESTIONS POSED IN THE EXPOSURE DRAFT**

1. Our response to each of the questions posed in the Exposure Draft is provided in the table below:

Question	BDO response
<p><i>Question 1:</i></p> <p>Do you agree with the proposed amendments to PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>? If not, please explain why not and identify what you think would be more appropriate.</p>	<p>We agree with the proposed amendments.</p>
<p><i>Question 2:</i></p> <p>Do you agree with the proposed amendments to PBE IPSAS 17 <i>Property, Plant and Equipment</i> and PBE IPSAS 31 <i>Intangible Assets</i>? If not, please explain why not and identify what you think would be more appropriate.</p>	<p>We agree with the proposed amendments.</p>
<p><i>Question 3:</i></p> <p>Do you agree that there should be no RDR concessions for the new disclosures in PBE IPSAS 21 and PBE IPSAS 26? If you disagree, please provide reasons.</p>	<p>We agree with the proposal to not provide disclosure concessions for entities reporting under PBE Standards Reduced Disclosure Regime.</p>
<p><i>Question 4:</i></p> <p>Do you agree with the proposed effective date of 1 January 2019, with early adoption permitted? If you disagree, please provide reasons.</p>	<p>We agree with the proposed effective date. We agree that early adoption should be permitted.</p>
<p><i>Question 5:</i></p> <p>Do you have any other comments on the Exposure Draft</p>	<p>We do not have any additional comments.</p>