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16 February 2017

### ***Exposure Draft NZASB 2016-10: Impairment of revalued assets***

Dear Warren

The New Zealand Accounting Standards Board (NZASB) has sought submissions relating to *Exposure Draft NZASB 2016-10: Impairment of revalued assets (Proposed amendments to PBE IPSASs 21 and 26)* (ED 2016-10).

PwC New Zealand is pleased to present its submission.

We agree with the NZASB's comment letter on ED 57 *Impairment of revalued assets* issued by the International Public Sector Accounting Standards Board (IPSASB). In its letter to the IPSASB, the NZASB noted that including 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* is not the best way 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 also agree that it is important to maintain alignment between PBE Standards and International Public Sector Accounting Standards. Therefore, despite the NZASB's comments in its submission to the IPSASB on the proposal, we agree that the IPSASB's amendments should be considered for adoption in New Zealand.

However, we are concerned that the proposal to adopt the IPSASB's amendments will create ambiguity around whether revaluations of intangible assets can be accounted for on a class of asset basis as opposed to on an asset by asset basis.

The paragraphs causing concern are amended paragraph 54A of PBE IPSAS 21 and paragraph 73A of PBE IPSAS 26 which state:

*"... 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**. Such an impairment loss on a revalued asset reduces the revaluation surplus **for that class of assets**." [emphasis added in bold].*

Both these paragraphs refer to accounting for revaluations of assets on a class of assets basis but are silent about the nature of the assets concerned. However, the preceding paragraphs (amended paragraph 54 of PBE IPSAS 21 and amended paragraph 73 of PBE IPSAS 26) refer to assets carried "...in accordance with the revaluation model in PBE IPSAS 17 and PBE IPSAS 31". Therefore, the proposed amendments seem to imply that revaluations of both property, plant and equipment and intangible assets can be accounted for on a class of assets basis.



This has the potential to cause confusion because only PBE IPSAS 17, in paragraphs 55 and 56, permits accounting for revaluations on a class of assets basis. PBE IPSAS 31 paragraph 85 does not currently allow this and there are no consequential amendments proposed to this paragraph.

Consequently we recommend that the NZASB raise this concern with the IPSASB and finalises the amendment to the PBE Standards only once this ambiguity is resolved.

Apart from the above, we have no comments in response to the specific questions for respondents in the invitation to comment on ED 2016-10.

Should you wish to discuss the above, please do not hesitate to contact Lyn Hunt on (09) 355 8863.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jonathan Freeman', followed by a long horizontal line extending to the right.

Jonathan Freeman  
Partner  
Assurance Leader