

## **EXPOSURE DRAFT NZASB 2016-10**

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

**(ED NZASB 2016-10)**

**Invitation to Comment**

November 2016

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# Information for Respondents

## Invitation to Comment

The NZASB<sup>1</sup> is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising *Impairment of Revalued Assets* (Proposed Amendments to PBE IPSASs 21 and 26).

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues that are relevant to you.

Submissions should be sent to:

Chief Executive  
External Reporting Board  
PO Box 11250  
Manners St Central  
Wellington 6142  
New Zealand

Email: [submissions@xrb.govt.nz](mailto:submissions@xrb.govt.nz)  
(please refer to *Impairment of Revalued Assets* in the subject line)

We would appreciate receiving a copy of your submission in electronic form (preferably Microsoft Word format) as that helps us to efficiently collate and analyse comments.

Please note in your submission on whose behalf the submission is being made (for example, own behalf, a group of people, or an entity).

The closing date for submissions is **20 February 2017**.

## Publication of Submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website ([xrb.govt.nz](http://xrb.govt.nz)), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

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<sup>1</sup> The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

## List of Abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IAS®	International Accounting Standard
IASB®	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
NZ IAS	New Zealand Equivalent to International Accounting Standard
PBE IPSAS	Public Benefit Entity International Public Sector Accounting Standard
RDR	Reduced Disclosure Regime

## Questions for Respondents

	Paragraphs
1. 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.	15
2. 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.	16
3. 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.	17
4. Do you agree with the proposed effective date of 1 January 2019, with early adoption permitted? If you disagree, please provide reasons.	18–19
5. Do you have any other comments on the Exposure Draft?	

# 1. Introduction

## 1.1 Background

1. The NZASB regularly considers the improvements and narrow scope amendments made by the International Accounting Standards Board (IASB®) and the International Public Sector Accounting Standards Board (IPSASB) to their standards and forms a view on whether those amendments should be incorporated in PBE Standards.
2. The *Policy Approach to Developing the Suite of PBE Standards* (the PBE Policy Approach) was developed to assist the NZASB to form a view on whether amendments made by the IASB and the IPSASB should be incorporated in PBE Standards. The PBE Policy Approach includes a rebuttable presumption that a new or amended standard issued by the IPSASB will be adopted in the suite of PBE Standards.
3. 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*). The amendments were issued in response to a concern raised by the NZASB.
4. The concern raised related to the exclusion of property, plant and equipment measured at revalued amounts from the scope of both IPSAS 21 and IPSAS 26 and the requirement in IPSAS 17 *Property, Plant and Equipment* to revalue the entire class of assets when an item of property, plant and equipment in that class is revalued. These requirements had been incorporated in the equivalent PBE Standards.
5. The IPSASB Basis for Conclusions on IPSAS 21 explained that, under the revaluation model in IPSAS 17 and IPSAS 31 *Intangible Assets*, assets would be revalued with sufficient regularity to ensure that they are carried at an amount not materially different from their fair value at the reporting date, and any impairment would be taken into account in the valuation.
6. The NZASB noted that, where an item of revalued property, plant and equipment is damaged (for example, in a fire) or no longer available for use (for example, as a consequence of the enactment of legislation), there was some uncertainty about the requirements relating to the recognition of an impairment loss. The issue was whether the entire class of assets needs to be revalued (in accordance with paragraph 51 of PBE IPSAS 17 *Property, Plant and Equipment*) when the impairment loss on the damaged/unusable property, plant and equipment is recognised.
7. The NZASB was of the view that it would be helpful for IPSAS 17 to be amended 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 assets to which that impaired item belongs.
8. The IPSASB acknowledged the concern raised. Rather than amending only IPSAS 17, the IPSASB has also amended IPSAS 21 and IPSAS 26 to include revalued assets within the scope of the standards. As a consequence, the scope of both of these standards is now more closely aligned with the scope of IAS 36 *Impairment of Assets*.

9. The NZASB considers that the IPSASB's amendments address the issue raised by the NZASB and proposes to incorporate these amendments in PBE Standards. ED NZASB 2016-10 *Impairment of Revalued Assets* (Proposed Amendments to PBE IPSASs 21 and 26) is based on the recently issued IPSASB standard.

## 1.2 Purpose of this Invitation to Comment

10. The purpose of this Invitation to Comment is to seek comments on the proposed amendments set out in the Exposure Draft (ED).

## 1.3 Timeline and next steps

11. Submissions on the ED are due by **20 February 2017**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
12. After the consultation period ends, the NZASB will consider the comments received and, subject to the comments in those submissions, expects to finalise the amendments soon afterwards.



## 2. Development of the Exposure Draft

### 2.1 Overview

13. This Invitation to Comment and accompanying ED propose to amend 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 are within the scope of these standards. This would align PBE Standards with the recently amended IPSASs.
14. The proposals in the ED would also align the accounting for and disclosures about impairment of revalued assets in PBE IPSAS 21 and PBE IPSAS 26 with the accounting for and disclosures about impairment of revalued assets in NZ IAS 36 *Impairment of Assets*.

### 2.2 Proposed amendments to PBE IPSAS 21 and PBE IPSAS 26

15. The ED proposes:
  - (a) to amend the scope of both PBE IPSAS 21 and PBE IPSAS 26 to include property, plant and equipment and intangible assets carried at revalued amounts;
  - (b) to add requirements for the recognition and reversal of impairment losses for assets carried at revalued amounts;
  - (c) to require disclosures in respect of impairment losses recognised or reversed on revalued assets; and
  - (d) that the amendments be applied prospectively from the date of application.

#### Question for Respondents

1. Do you agree with the proposed amendments to PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*? If not, please explain why not and identify what you think would be more appropriate.

### 2.3 Proposed amendments to other PBE Standards

16. The ED proposes consequential amendments to:
  - (a) PBE IPSAS 17 *Property, Plant and Equipment* to clarify that impairment losses and reversals of impairment losses of an asset do not necessarily require the entire class of assets to which that individual asset belongs to be revalued (see paragraphs 51 and 51A); and
  - (b) PBE IPSAS 31 *Intangible Assets* to remove the reference to intangible assets measured at cost when determining whether an intangible asset is impaired (see paragraph 110).

**Question for Respondents**

2. Do you agree with the proposed amendments to PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets*? If not, please explain why not and identify what you think would be more appropriate.

**2.4 RDR concessions**

17. The NZASB is not proposing any RDR concessions for the new disclosures in PBE IPSAS 21 and PBE IPSAS 26 because there are no RDR concessions for the equivalent disclosures in NZ IAS 36 *Impairment of Assets*.

**Question for Respondents**

3. 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.

**2.5 Effective date and other comments**

18. The proposed effective date in the ED is 1 January 2019, with early adoption permitted. This date is tentative and would be reviewed prior to issuing any standard.
19. This proposed effective date is the same as the effective date for the IPSASB's amendments to IPSAS 21 and IPSAS 26.

**Questions for Respondents**

4. Do you agree with the proposed effective date of 1 January 2019, with early adoption permitted? If you disagree, please provide reasons.
5. Do you have any other comments on the Exposure Draft?

## **EXPOSURE DRAFT ED NZASB 2016-10**

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

This [draft]<sup>2</sup> Standard was issued on [date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] 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 [date].

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

In finalising this [draft] 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 [draft] 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.

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<sup>2</sup> References to “this Standard” throughout this Exposure Draft should be read as referring to “this draft Standard.”

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

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

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## 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

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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 83.2 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). 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. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.

...

## 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. However, to the extent that an impairment loss on the same class of revalued assets 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

...

83.2 *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in [date], 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 [date]. Earlier application is encouraged. If an entity applies those amendments for a period beginning before [date], it shall disclose that fact.*

## Basis for Conclusions

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

Paragraph BC3 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. The NZASB subsequently made equivalent amendments to PBE IPSAS 21 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in [date].

## 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 127.2 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 IPSAS 17. 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). 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. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets.

...

## 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. However, to the extent that an impairment loss on the same class of revalued assets 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

...

127.2 Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in [date], 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 [date]. Earlier application is encouraged. If an entity applies those amendments for a period beginning before [date], it shall disclose that fact.

## Basis for Conclusions

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

Paragraph BC8 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. The NZASB subsequently made equivalent amendments to PBE IPSAS 21 and PBE IPSAS 26 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in [date].

## Amendments to Other Standards

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

Paragraph 79 is amended and paragraphs 51A and 108.2 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

...

108.2. ***Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)*, issued in [date], amended paragraph 79 and added paragraph 51A. An entity shall apply that amendment for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies that amendment for a period beginning before [date], 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 made the equivalent amendment to PBE IPSAS 17 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in [date].

## Amendment to PBE IPSAS 31 *Intangible Assets*

Paragraphs 109 and 110 are amended and paragraph 133.3 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 method~~ 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 the asset, as appropriate, when it recognises or reverses an impairment loss.

...

### Effective Date

...

**133.3 *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26), issued in [date], amended paragraphs 109 and 110. An entity shall apply those amendments for annual financial statements covering periods beginning on or after [date]. Earlier application is encouraged. If an entity applies that amendment for a period beginning before [date], 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 made the equivalent amendment to PBE IPSAS 31 by issuing *Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)* in [date].**

## **Part C**

### **Effective Date**

This Standard is effective for annual financial statements covering periods beginning on or after [Date]. Earlier application is permitted.