



Accounting Standards Board

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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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Per e-mail

15 January 2016

Dear John,

COMMENT ON EXPOSURE DRAFT 57 ON *IMPAIRMENT OF REVALUED ASSETS*

We welcome the opportunity to comment on Exposure Draft 57 (ED 57) on *Impairment of Revalued Assets*.

Overall, we are supportive of the changes proposed to IPSASs in ED 57. A number of general issues were however identified by our stakeholders. These issues, together with our proposals are reflected in the response to the specific matter for comment. These are included as Annexure A to this letter.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating these comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Poggiolini'.

Jeanine Poggiolini

Technical Director

Board Members: Ms T Coetzer, Mr B Colyvas, Ms I Lubbe, Mr M Kunene, Mr K Makwetu,
Mr V Ndzimande, Ms N Ranchod, Ms R Rasikhinya, Ms C Wurayayi
Alternates: Mr S Badat, Ms L Bodewig
Chief Executive Officer: Ms E Swart Technical Director: Ms J Poggiolini

ANNEXURE A – DETAILED RESPONSES

Specific Matter for Comment:

The IPSASB proposes to include revalued property, plant and equipment and intangible assets within the scope of IPSAS 21 and IPSAS 26 in order to (a) provide information to users on impairment losses and reversals to property, plant and equipment and intangible assets carried at revalued amounts and (b) clarify that when a revalued asset is impaired and an impairment loss is recognised, an entity is not required to revalue the entire class of assets to which that item belongs.

Do you agree with the changes to IPSAS 21 and IPSAS 26 proposed in the ED and the consequential amendments to IPSAS 17, and IPSAS 31? If not, please provide your reasons.

We agree with the proposed changes to IPSAS 21 and IPSAS 26, as well as the consequential amendments, as these changes will provide users with relevant information on impairment losses to property, plant and equipment and intangible assets measured under the revaluation model.

While our stakeholders agree with the overall principle of the recognition and measurement of impairment losses for revalued assets and the reversal thereof, they have questioned the requirement that the impairment loss on a revalued asset should be recognised or reversed against the revaluation surplus for that class of assets. The following issues were noted regarding this approach:

Unit of measure

It was noted that there is a conflict between the unit of measure applied for revaluations, and the unit of measure applied for impairments. IPSAS 17 requires that revaluations are undertaken per class of assets while impairments are determined on an individual asset. Our stakeholders therefore believe that the setting off approach is not as simple as the Board intended it to be. To illustrate: Revaluation increases and decreases must be offset against each other within that class in accordance with IPSAS 17. An entity would however still need to keep track of the increases and decreases relating to the revaluation and impairment of the individual assets because depreciation and impairments are determined for the individual asset. Therefore, the approach does not achieve simplification for the preparers.

Realisation of the cumulative revaluation surplus

Our stakeholders required clarity on what proportion of the cumulative revaluation surplus (i.e. net of impairment losses and reversals) will be realised when the individual assets are used or disposed of. For instance, when individual assets are derecognised, it is not immediately clear how much of the cumulative revaluation surplus is attributable to that individual asset, and which should be transferred directly to accumulated surpluses or deficits. Therefore, clarity is required on how paragraph .57 of IPSAS 17 is applied to the net cumulative revaluation surplus when individual assets are used or disposed of.

Useful management information on the performance of assets

In addition, we question whether the approach facilitates the provision of useful information on the management of individual assets. The approach allows entities to offset revaluation increases and decreases, as well as impairment losses and reversals against one another,

and as a result this may be seen to encourage management to conceal useful management information on the performance of individual assets.

We are therefore of the view that the impairment loss, or reversal, should rather be reflected against the revaluation surplus for the individual asset.

To address this concern, it is recommended that the IPSASB considers amending the concept of offsetting revaluation increases and decreases for a class of assets in IPSAS 17, such that a revaluation surplus is recognised for individual assets and not for the entire class of assets. The effect in IPSAS 21 and IPSAS 26 is that impairment losses are then recognised or reversed against the revaluation surplus for that individual revalued asset. This amendment will ensure that information on the performance of assets is known and readily available.