Source Reference

Commentary – Property, plant and equipment *(continued)*

Revised
AASB 13. Aus93.1

Exemption from disclosing quantitative information of Level 3 inputs

In July 2015, the Australian Accounting Standards Board released AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* , with early adoption permitted for the 2014-15 reporting period.

Given the timing of the early adoption is extremely short, the Department of Treasury and Finance has sought a ministerial approval to allow not-for-profit public sector entities to early adopt this amending standard should the entities elect to do so. Note that the requirement to early adopt is <u>not</u> compulsory, but provides entities with the option to gain certain reporting relief of fair value disclosures for the 2014-15 reporting period.

Specifically, paragraph Aus93.1 exempts not-for-profit public sector entities from applying the requirements in AASB 13.93(d) if the entity has assets within the scope of AASB 116 *Property, Plant and Equipment* for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash flows. Specifically, for fair value measurements that have been categorised within Level 3 of the fair value hierarchy, the entity will no longer be required to provide quantitative information about the 'significant unobservable inputs' used in the fair value measurement.

However, it is important to note that entities will still be required to provide a description of the valuation techniques and the input used in the fair value measurement.

AASB 13.66

Changes in valuation techniques

Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with AASB 108. However, entities are exempted from the disclosure requirements in paragraphs 39 and 40 of AASB 108 for changes in valuation techniques.

Highest and best use

Refer to Note 1 commentary – summary of significant accounting policies for guidance on highest and best use.

AASB 13.93(e)

Reconciliation of Level 3 fair value

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised.

(ii) total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised.

(iii) purchases, sales, issues and settlements (each of those types of changes disclosed separately).

(iv) the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

Source Reference

Commentary – Property, plant and equipment *(continued)*

Revised

Exemption from disclosing sensitivity analysis for Level 3 fair value measurement

For all recurring non-financial assets that are measured at Level 3 fair value measurement and are held not primarily dependent on the asset's ability to generate net cash inflows, an entity is no longer required to provide:

- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement; and
- if there are interrelationships between the inputs and other unobservable inputs used in the fair value measurement, a description of the interrelationships and of how this might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Disclosure requirements for assets stated at revalued amounts

If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by AASB 13:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) [requirement deleted by IASB];

(d) [deleted by the IASB];

(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and

(f) revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Notwithstanding AASB 116.77(e), in respect of not-for-profit entities, for each revalued class of property, plant and equipment, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.

AASB 136.5

Impairment of revalued property, plant and equipment

Property, plant and equipment measured on the fair value basis shall also be tested for impairment. Identifying whether a revalued asset may be impaired depends on the basis used to determine fair value:

(a) if the asset's fair value is its market value, the only difference between the asset's fair value and its fair value less costs to sell is the direct incremental costs to dispose of the asset:

   (i) if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to, or greater than, its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired and recoverable amount need not be estimated; and

   (ii) if the disposal costs are not negligible, the fair value less costs to sell of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired if its value in use is less than its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, the department applies this standard to determine whether the asset may be impaired; and

(b) if the asset's fair value is determined on a basis other than its market value, its revalued amount (i.e. fair value) may be greater or lower than its recoverable amount. Hence, after the revaluation requirements have been applied, a department applies AASB 136 to determine whether the asset may be impaired.