XRB EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho
NZ ACCOUNTING STANDARDS BOARD

21 December 2015

Mr John Stanford
Acting Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA

Submitted to: www.ifac.org

Dear John

ED 58 *Improvements to IPSASs 2015*

Thank you for the opportunity to comment on ED 58 *Improvements to IPSASs 2015* (ED 58). ED 58 was published for comment in New Zealand and some New Zealand constituents may have made comments directly to you.

We are particularly pleased with:

(a) the IPSASB's prompt response in addressing what constitutes a class of assets in IPSAS 32 *Service Concession Arrangements: Grantor*, as this was an issue that was raised by New Zealand constituents;

(b) the proposed amendments to IPSAS 17 *Property, Plant and Equipment* and IPSAS 27 *Agriculture* to incorporate the IASB's recent amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* into the equivalent IPSASs; and

(c) the improvements to International Public Sector Accounting Standards (IPSASs) to take into account amendments for consistency with the *Conceptual Framework for Financial Reporting in the Public Sector*.

However, we disagree with:

(a) the proposal to remove the references to the international or national accounting standard dealing with non-current assets held for sale and discontinued operations; and

(b) one aspect of the proposed transition requirements for the amendments to IPSAS 32 *Service Concession Arrangements: Grantor*.

Accounting standards dealing with non-current assets held for sale and discontinued operations

We disagree with the proposal to remove from IPSASs references to the international or national accounting standard dealing with discontinued operations or non-current assets held for sale.

We are of the view that IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* provides appropriate guidance for public sector entities to measure and disclose non-current assets held for sale and discontinued operations. IFRS 5 forms part of the PBE Standards in New Zealand that are applied by public sector entities and not-for-profit entities.

We note the reasons for proposing to remove references to the international or national accounting standard dealing with discontinued operations or non-current assets held for sale.

We acknowledge that the sale of non-current assets in the public sector may not be completed within one year. However, paragraph 7 of IFRS 5 requires the asset to be "…available for immediate sale in its present condition subject only to <u>terms that are usual and customary for sales of such assets</u> …" (emphasis added). Therefore, IFRS 5 is focused on an entity's intention and commitment to sell an asset. We are of the view that the words 'usual and customary' would cover the situation in the public sector where sales of assets take more than one year because of requirements applying to asset sales in the public sector that may take some time to complete. In addition, paragraph 9 of IFRS 5 notes that events or circumstances beyond the entity's control may extend the period to complete a sale beyond one year.

We also acknowledge that many of the non-current assets in the public sector that are disposed of are not sold, and many discontinued operations are not cash-generating units. However, there are instances where public sector entities sell non-current assets, or discontinue cash-generating operations. We are of the view that the guidance in IFRS 5 is appropriate for those instances. In addition, IFRS 5 also covers situations where assets are to be distributed to owners and therefore can be applied to situations in which a government entity transfers assets through a distribution for no consideration.

Therefore, we recommend that the IPSASB does not proceed with the proposed amendment to remove from IPSASs the references to the relevant international or national accounting standard dealing with discontinued operations or non-current assets held for sale.

Proposed amendments to IPSAS 32 – Transition

The transition requirements as proposed permit an entity to voluntarily change an accounting policy when the measurement basis (that is, cost or revaluation model) of the service concession assets reclassified is not the same as the measurement basis of the class of assets to which those service concession assets are reclassified and the entity elects to change the measurement basis of that class of assets (see proposed paragraphs 35B(b(ii)) and (c)(ii)). However, no reference is made to the requirements in IPSAS 3 *Changes in Accounting Policies, Accounting Estimates and Errors* regarding changes in accounting policies.

We recommend the following amendments to paragraphs 35B(b)(ii) and (c)(ii) to remind entities of the requirements in IPSAS 3:

35B. Where service concessions assets are reclassified in accordance with paragraph 35A, an entity shall account for the service concession assets as follows:

(a) …

(b) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall either:

  (i) Revalue the service concessions assets; or

  (ii) Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, ~~R~~retrospectively apply the cost model to the remaining assets in the class of asset to which those service concession assets have been reclassified. …

(c) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall either

  (i) Retrospectively apply the cost model to the service concession assets. …

  (ii) Subject to the requirements in IPSAS 3 dealing with changes in accounting policies, ~~R~~revalue the remaining assets in the class of assets to which those service concession assets have been reclassified.

…

If you have any questions or require clarification of any matters in this submission, please contact Vanessa Sealy-Fisher (vanessa.sealy-fisher@xrb.govt.nz) or me.

Yours sincerely

Kimberley Crook
Chair – New Zealand Accounting Standards Board