

# IS THERE A DIFFERENCE BETWEEN 'CURRENT REPLACEMENT COST' AS A MEASURE OF FAIR VALUE (AASB 13) AND 'DEPRECIATED REPLACEMENT COST' AS A MEASURE OF VALUE IN USE (AASB 136)?

Questions have been raised whether the term 'current replacement cost' used as a measure of fair value in AASB 13 *Fair Value Measurement*, and 'depreciated replacement cost' used as a measure of 'value in use' for not-for-profit entities (NFPs) in AASB 136 *Impairment of Assets*, have different meanings.

To clarify this issue, the Australian Accounting Standards Board (AASB) recently issued Exposure Draft, *ED 269 Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities*.

## 'Depreciated replacement cost' same as 'current replacement cost' for NFPs

In order to clarify that these terms mean the same thing, ED 269 is proposing changes to AASB 136 *Impairment of Assets* as follows:

- Delete paragraph Aus 6.1 which makes reference to 'depreciated replacement cost' as a proxy for 'value in use' when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits
- Delete the definition of 'depreciated replacement cost' in paragraph Aus 6.2
- Delete paragraphs Aus 32.1 and 32.2
- Adding paragraph Aus 5.1 to explain that given that assets of NFPs, which are not held to primarily generate cash flows, are rarely sold, their cost of disposal is typically negligible. Accordingly, the recoverable amount of these assets is expected to be materially the same as fair value determined under AASB 13.

## When do these changes become effective?

The proposed application date for these amendments is for annual periods beginning on or after 1 July 2016.