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Paris, December 10, 2015

Mr John Stanford
Technical director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto, Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft ED57 – Impairment of Revalued Assets

Dear Mr Stanford,

The French Public Sector Accounting Standards Council (CNoCP) is pleased to respond to the Exposure Draft *Impairment of Revalued Assets* published in October 2015 (the ED).

We fully agree with bringing property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*.

However, we believe that internal consistency would be improved if the rationale for the accounting treatment for revalued assets' impairment losses was better articulated, be it in the relevant standards or in the Bases for Conclusions.

Details of our response to the specific matter for comment are set out in the appendix.

Yours sincerely,

Michel Prada

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 recognized, 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, Property, Plant and Equipment, and IPSAS 31, Intangible Assets? If not, please provide your reasons.

We are of the opinion that revaluation and impairment are conceptually different. This is because revaluation of property, plant and equipment and of intangible assets is primarily based on market value, whereas impairment is assessed through a specific-entity analysis.

Therefore we fully agree with including requirements for impairment losses of property, plant and equipment and intangible assets on the revaluation model within the scope of IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*.

We note that a consequence of the above proposal is that impairment losses of assets on the revaluation model should follow the same accounting pattern as revaluation decreases¹. We observe that that change is aligned with the accounting treatment set out in paragraph 60 of IAS 36 *Impairment of Assets* for impairment losses of revalued assets.

However, in the light of the conceptual difference between revaluation and impairment, we think that this is a change on previous requirements in IPSAS 21 and IPSAS 26 that would benefit from a more comprehensive explanation than that proposed in the Bases for Conclusions. For instance, it could be stated that, though revaluation and impairment are conceptually different, having considered that it would not be fair to require impairment losses to affect only surplus or deficit while revaluation increases are not recognised in surplus or deficit, the Board proposed to align the accounting treatment for impairment losses of revalued assets in IPSASs with that of impairment losses for revalued assets in IFRSs.

¹ See proposed changes to paragraphs 54 and 54A in IPSAS 21 and to paragraphs 108 and 108A in IPSAS 26.