



Virtual roundtables to discuss ED 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

	Roundtable 1	Roundtable 2	Roundtable 3
Date and time	Tuesday 24 May 10am–12pm AEST	Wednesday 25 May 10am–12pm AEST	Thursday 26 May 1pm–3pm AWST 2:30pm–4:30pm ACST
Jurisdictions	Commonwealth, NSW and ACT	VIC, QLD and TAS	WA, SA and NT
Click to access Zoom details	Zoom details for Roundtable 1	Zoom details for Roundtable 2	Zoom details for Roundtable 3

AASB [ED 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*](#) is open for comment until Thursday, 30 June 2022.

Each roundtable is an opportunity to express your views on the Specific Matters for Comment (SMCs) in ED 320 and discuss any alternative perspectives.

ED 320 proposes to add authoritative implementation guidance in AASB 13 *Fair Value Measurement* regarding fair value measurement of non-financial assets of not-for-profit (NFP) public sector entities **not held primarily for their ability to generate net cash inflows**. The roundtables will focus on discussing fair value measurement issues related to these types of assets.

The following table summarises the proposed guidance outlined in ED 320 on some key topics and includes an indicative discussion timeline. Zoom polling questions will be used to obtain views from participants, followed by an open discussion of each topic.

Twelve of the 21 SMCs in ED 320 have been selected for discussion. For some topics, only specific parts of the SMCs have been selected for discussion.

Agenda		Duration
Welcome and introduction		10 mins
Discussion		
1	<p>ED 320 Question 3: Market participant assumptions</p> <p>The AASB proposes that, if unobservable inputs need to be developed to measure the fair value of a non-financial asset, an NFP public sector entity should use its own assumptions as a starting point and make adjustments to those assumptions if reasonably available information indicates that other market participants would use different data.</p> <p>If no relevant information about other market participant assumptions is reasonably available, an NFP public sector entity should use its own assumptions in measuring the fair value of the asset.</p> <p>Do you agree with these proposals?</p>	15 mins
2	<p>ED 320 Question 5: Highest and best use</p> <p>AASB 13 paragraph 29 states that an entity's current use of a non-financial asset is presumed to be its highest and best use, unless market or other factors suggest that a different use by market participants would maximise the value of the asset.</p>	15 mins



Agenda		Duration
	<p>The AASB proposes that, for a non-financial asset of an NFP public sector entity, the presumption in AASB 13 paragraph 29 that the asset's current use is its highest and best use should be rebutted when, and only when, the appropriate level of the entity's management is committed at the measurement date to a plan to sell the asset or to use the asset for an alternative purpose.</p> <p>Do you agree with this proposal?</p> <p>[ED 320 paragraph F10 proposes an example of steps that might, in the circumstances of a particular NFP public sector entity, need to be completed before the appropriate level of the entity's management is committed at the measurement date to a plan to sell an asset or use an asset for an alternative purpose, namely:</p> <ul style="list-style-type: none">(a) relevant field studies or a Ministerial briefing on whether there is a market for the asset (and, if so, its likely price) or for the alternative services that the asset could be used to provide;(b) initial due diligence processes to determine that a sale of the asset or an alternative use of the asset is possible within the current socio-economic environment and would maximise the asset's value; and(c) development of project milestones and expected timelines to complete the sale or the plan to use the asset for the alternative purpose.]	
<i>Discussion topics 3–8 relate to the application of the cost approach in measuring the fair value of non-financial assets not held primarily for their ability to generate net cash inflows</i>		
3	<p>ED 320 Question 9: Assumed location of asset</p> <p>The AASB proposes that, when the cost approach is applied in measuring the fair value of a non-financial asset, an NFP public sector entity should assume the asset will be replaced in its existing location, even if it would be feasible to replace the asset in a cheaper location.</p> <p>Do you agree with this proposal?</p>	5 mins
4	<p>ED 320 Question 10: Overall principle regarding the nature of costs to include in an asset's current replacement cost</p> <p>As an overall principle, the AASB proposes that an NFP public sector entity should assume that the asset subject to measurement (the subject asset) presently does not exist; and therefore, all necessary costs intrinsically linked to acquiring or constructing the subject asset at the measurement date should be included in the asset's current replacement cost.</p> <p>Do you agree with this proposed overall principle?</p>	10 mins
5	<p>ED 320 Question 12: Once-only costs</p> <p>Based on the proposed overall principle referred to in Q10, the AASB proposes that 'once-only costs' (see below) should be included in an asset's current replacement cost.</p> <p>Once-only costs are costs of parts of an asset that would be expected to be necessarily incurred in a hypothetical acquisition or construction of the subject asset, but not expected to actually be replaced in the future because they are not expected to wear out. For example, design work, earthwork and road formation work.</p>	10 mins



Agenda	Duration
<p>Do you agree with the proposal that once-only costs should be included in an asset's current replacement cost?</p>	
<p>6 ED 320 Question 13: Removal and disposal costs of unwanted existing structures; and disruption costs</p> <p>The AASB proposes that an entity should determine, based on the circumstances of the subject asset, whether the following costs would need to be incurred upon the hypothetical acquisition or construction of the subject asset at the measurement date and therefore be included in that asset's current replacement cost:</p> <ul style="list-style-type: none">(a) unavoidable costs of removal and disposal of unwanted existing structures on land; and(b) any disruption costs that would hypothetically be incurred (other than certain restoration costs: see below) – for example, costs related to traffic control and detour costs. <p>Do you agree with the proposal that an NFP public sector entity should determine whether, among other costs, those two types of costs should be included in an asset's current replacement cost?</p> <p><u>Costs to restore another entity's asset</u></p> <p>In respect of disruption costs, the AASB considered that there might be situations in which another entity's asset would necessarily be disrupted during the hypothetical construction of the subject asset (e.g. drainage works of another entity disrupted when replacing a road). In those situations, the AASB proposes that costs required to restore those disrupted assets should be included in the subject asset's current replacement cost.</p> <p>However, the AASB noted that if the subject asset's current replacement cost included the costs to restore a disrupted asset controlled by the consolidated group (if any) to which the holder of the subject asset belongs, it would result in double counting the restoration costs in the consolidated financial statements. This is because both of the following costs used under the cost approach would be included in the group's financial statements:</p> <ul style="list-style-type: none">(i) the current replacement cost of the disrupted asset of the other entity; and(ii) the current replacement cost of the subject asset, including the costs to restore the other entity's asset. <p>Therefore, the AASB proposes that only costs of restoring an asset not controlled by the consolidated group (if any) to which the entity belongs should be included in the subject asset's current replacement cost.</p> <p>Do you agree with this proposal?</p>	15 mins
<p>7 ED 320 Question 14: Determine necessary costs in the context of the entity's expected manner of replacement</p> <p>The AASB proposes that an NFP public sector entity includes in the asset's current replacement cost all necessary costs required to be incurred in the context of the entity's expected manner of replacement in the ordinary course of operations, rather than necessarily including only the cheapest legally permitted costs to the entity.</p> <p>For example, where replacement of the surface of a road would necessarily, in</p>	5 mins



Agenda		Duration
	<p>the ordinary course of operations, occur at night rather than during daytime to minimise disruption to drivers, the more costly night-time costs should be included in the asset's current replacement cost rather than the lower daytime costs.</p> <p>Do you agree with this proposal?</p>	
8	<p>ED 320 Question 16: Economic obsolescence</p> <p>The AASB proposes that economic obsolescence should not be identified for any 'surplus capacity' of an asset that is necessary for stand-by or safety purposes (e.g. to deal with contingencies), even if it seldom or never is actively utilised.</p> <p>Do you agree with this proposal?</p>	5 mins
9	<p>ED 320 Question 17: Prospective application</p> <p>Do you agree with the AASB's proposal that the proposed authoritative implementation guidance set out in Appendix F of ED 320 should be applied prospectively upon initial application?</p>	5 mins
10	<p>ED 320 Question 21: Effective date</p> <p>The AASB proposes that, if the proposed authoritative implementation guidance is to be applied prospectively, the guidance should be applied for annual periods beginning on or after 1 January 2024, with earlier application permitted. Do you agree with this proposal?</p>	5 mins
11	<p>ED 320 Question 2: Mandating techniques to apply in measuring the fair value of specific assets</p> <p>Some stakeholders requested the AASB to consider mandating the measurement technique to apply to measure the fair value of specific assets, including land and improvements on land subject to public-sector-specific legal restrictions. Public-sector-specific legal restrictions are restrictions under legislation specific to public sector entities or directions from Ministers that would be expected to transfer to other public sector market participants.</p> <p>The AASB noted that AASB 13 paragraph 61 requires an entity to select measurement techniques: (1) that are appropriate in the circumstances; (2) for which sufficient data are available to measure fair value; and (3) that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.</p> <p>The AASB therefore concluded that determining appropriate measurement techniques for measuring the fair value of specific assets is best regarded as relating to detailed valuation assessments and should not be mandated in Australian Accounting Standards.</p> <p>Do you agree with this conclusion?</p>	10 mins
12	<p>ED 320 Question 1: Scope</p> <p>Do you consider that the proposed authoritative implementation guidance should be applicable also to NFP entities in the private sector?</p>	5 mins
Closing remarks		5 mins