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14. Sitzung IFRS-FA am 08.03.2013  
14\_08a\_IFRS-FA\_IAS16\_IAS38\_DCL\_IASB

Dear Hans,

### **Exposure Draft ED/2012/5 Clarification of Acceptable Methods of Depreciation and Amortisation – Proposed amendments to IAS 16 and IAS 38**

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the IASB Exposure Draft ED/2012/5 Clarification of Acceptable Methods of Depreciation and Amortisation (herein referred to as 'ED'). We are pleased to have the opportunity to provide comments on this ED.

We appreciate that the IASB strives to clarify the provisions regarding the use of a revenue-based depreciation or amortisation method since we acknowledge the existing uncertainty about this issue. However, we do not agree with the proposed drafting. We believe that the IASB should provide a specific provision within IAS 38 *Intangible Assets* that permits the use of a revenue-based amortisation method for intangible assets as long as this method is reliably measurable. With respect to IAS 16 *Property, Plant and Equipment*, we question whether a provision clarifying the use of a revenue-based depreciation method for tangible assets is necessary at all.



Our detailed comments on the questions raised in the invitation to comment are set out in the appendix to this letter.

If you would like to discuss any aspects of this comment letter in detail, please do not hesitate to contact me.

Yours sincerely,

*Liesel Knorr*  
President

DRAFT



## Appendix - Answers to the questions for respondents

### Question 1:

The IASB proposes to amend IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit a depreciation or amortisation method that uses revenue generated from an activity that includes the use of an asset. This is because it reflects a pattern of future economic benefits being generated from the asset, rather than reflecting the expected pattern of consumption of the future economic benefits embodied in the asset. Do you agree? Why or why not?

We do not agree with the IASB's proposal to prohibit a revenue-based amortisation method for intangible assets within IAS 38.

The IASB argues that revenue represents the generation of expected economic benefits rather than the consumption of economic benefits embodied in an asset and, therefore, should not be used for calculating the amount of depreciation or amortisation. We do not concur with this reasoning. We believe that revenue arisen from the use of an asset reflects both, the generation of expected economic benefits and the consumption of the future economic benefits. A good example for our reasoning is an acquired right to broadcast a film. When a film is shown for the first time, not only a significant part of the advertising revenue is generated from the use of the acquired right, but also a significant part of the future economic benefits inherent in this right has been consumed with the initial showing.

A pattern of consumption of the future economic benefits embodied in an intangible asset cannot always be determined by reference to the asset's observable volume. In some cases, revenues generated from the use of the intangible asset might be a good substitute for consumption.

Therefore, in our view the IASB should create a specific provision in IAS 38 that permits the use of a revenue-based amortisation method, as long as this method is reliably measurable.

In contrast to the intangible assets, a pattern of consumption of the future economic benefits embodied in a tangible asset can in principle be determined by reference to



the asset's observable volume (i.e. physical output). Therefore, we question whether a specific provision clarifying the use of a revenue-based depreciation method for tangible assets within IAS 16 is necessary at all.

**Question 2:**

Do you have any other comments on the proposals?

We believe that the drafting of the proposed paragraphs IAS 16.62A and IAS 38.98A and paragraphs BC3 to BC5 should be improved, for the following reasons:

- Firstly, the proposed amendments in the core text of IAS 16 and IAS 38 (new paragraphs IAS 16.62A und IAS 38.98A) and in the Basis for Conclusions (new paragraphs BC3 to BC5) are contradictory. While paragraphs IAS 16.62A und IAS 38.98A seem to prohibit a revenue-based depreciation or amortisation method in all circumstances, paragraphs BC3 to BC5 state that in some limited circumstances a revenue-based method might be used as a proxy.
- Secondly, paragraphs BC3 to BC5 of the proposed Basis for Conclusions provide important accounting guidance on using a revenue-based method. We believe that this guidance should be reflected in the core text of the standards rather than in the Basis for Conclusions that should only intend to help readers to understand how the IASB reached its conclusions.

The IASB proposes to provide guidance in the application of the diminishing balance method by adding new paragraphs IAS 16.62B und IAS 38.98B. From the wording of these paragraphs, it seems not to be clear, whether the reduction in unit selling price of the product or services output should lead to an adjustment of the charge for depreciation or amortisation or to an impairment according to IAS 36 *Impairment of Assets*. Therefore, we deem that the IASB should remove this ambiguity and explain the reasons for adding the new paragraphs IAS 16.62B und IAS 38.98B in the Basis for Conclusions.