



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



IASB  
30 Cannon Street  
London EC4M 6XH  
UK

Paris, 25 March 2013

Re: ED *“Clarification of Acceptable Methods of Depreciation and Amortisation – Proposed amendments to IAS 16 and IAS 38”*

We welcome the opportunity to comment on the IASB’s exposure draft dealing with *“Clarification of Acceptable Methods of Depreciation and Amortisation”* (the ED).

We agree with the IASB’s intention to clarify the circumstances in which a revenue-based depreciation or amortisation method may be appropriate. We note that while the IASB intends to prohibit revenue-based depreciation or amortisation methods in most circumstances, we also agree with its statement in the Basis for Conclusions that such a method may be a reasonable proxy for a units of production method in certain limited circumstances and would therefore be an appropriate method, if not the best method, in those cases.

The proposed wording of paragraphs IAS 16.62A and IAS 38.98A would prohibit such a method. If it is indeed the Board’s intention to permit the use of the revenue-based proxy in certain limited circumstances – and we think this should be permitted – then it is necessary to make this clear by bringing forward into these paragraphs the relevant parts of BC3-BC5 of the ED.

In addition to these principal comments, we provide responses to the detailed questions of the invitation for comment in the appendix.

Should you wish to have any supplementary comment or explanation, please do not hesitate to contact us.

ACTEO

Patrice MARTEAU  
Chairman

Afep

François SOULMAGNON  
Director General

MEDEF

Agnès LEPINAY  
Director of economic  
and financial affairs

**Appendix to our letter on IASB ED “Clarification of Acceptable  
Methods of Depreciation and Amortisation”  
Answers to the specific questions raised in the invitation for comments**

*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?*

The principle established in IAS 16 and 38 for the selection of an appropriate depreciation method is that it “shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity”. Whilst we agree that, as a general rule, a depreciation or amortisation method that uses revenue generated by the use of an asset as its basis is not consistent with this principle, we also agree with the Basis for Conclusions of the ED that there are certain circumstances in which a revenue-based method could be used as a reliable proxy for the units of production method.

Where physical consumption of an asset or the volume of “production” is not readily observable but there is, in the management’s opinion, a revenue-based proxy which best reflects the pattern of consumption of the economic benefits of the asset, such a method should be permitted. It is, of course, a necessary prerequisite that the assumptions and estimates used for such a method be reasonable and robust.

Paragraphs BC3-BC5 appear to indicate that the IASB believes that the use of a revenue-based method as a proxy for a units-of-production method would be reasonable in certain limited circumstances. However, the proposed drafting of the relevant paragraphs IAS 16.62A and IAS 38.98A clearly prohibits the use of such a proxy. The body of the standard will always over-ride the discussion in the Basis for Conclusions, making this reasonable proxy unavailable to preparers. We therefore think that the relevant elements of paragraphs BC3-BC5, and any other relevant guidance the Board deems appropriate, should be incorporated into the body of the standard in order to make this clear. If the Board were to believe that this might make it appear that the proxy was more widely available than intended, then an alternative might be to include further, more specific, guidance limiting its use in an Application Guidance section instead.

Finally, we think it would be helpful not to require that such a proxy be allowed only when it “gives the same result”, as this would be inherently difficult and onerous to demonstrate. We would see wording similar to that of paragraph 6 of the 2011 Revenue Recognition ED as being a more suitable model: “if the entity reasonably expects that the result of doing so would not differ materially from the result of applying [paragraph xx] of this IFRS”.

*Question 2 – Do you have any other comments on the proposals?*

We agree that it is helpful to standardise the term “units-of-production” method of depreciation throughout the body of IFRS.

The proposed drafting of the final sentence in paragraph 62A of IAS 16 and paragraph 98A of IAS 38 is tortuous. It would be clearer if it were drafted as follows: “Paragraph 60 / 97 establishes the principle that the amortisation of the asset must be based on the consumption of the benefits that were inherent in the asset when it was acquired ~~as the principle for depreciation~~. Furthermore, we think that the clause referring to “the benefits that were inherent in the asset when it was acquired” is in contradiction to the requirement of paragraphs 51 and 61 of IAS 16 which require that residual values, useful lives and depreciation methods be reviewed at each year-end and changed if necessary. IAS 38 has similar requirements. On balance, we think this sentence is unnecessary and confusing, and the best solution may be to eliminate it from the final draft.

୧୧୧୧

୧