



IASB Exposure Draft ED/2012/5
Draft Comment Letters
European Financial Reporting Advisory Group
35 Square de Meeûs
Brussels B-1000
Belgium

Dear Madam/Sir,

In the present letter ICAC gives its view on some specific issues raised in your Draft Comment Letter on IASB's Exposure Draft 2012/5 "Clarification of Acceptable Methods of Depreciation and Amortization, Proposed Amendments to IAS 16 and IAS 38". For the sake of clarity, we have included the EFRAG's response:

EFRAG supports the IASB's efforts to clarify the current requirements. However, we believe that the IASB should improve the drafting of the amendments and provide all relevant guidance in the standards rather than in the basis for conclusion.

In general terms we agree with the EFRAG's response. Notwithstanding, although we also think that the IASB should provide more guidance, we don't believe it to be necessary that all relevant guidance should be included in the standards.

In any case, we would like to draw attention to the following items:

1. In paragraph 6 and 7 of notes to constituents of EFRAG's responses, it is said that "*The IASB acknowledged in the Basis for Conclusions that **there are** – contrary to the requirement proposed in paragraph 62A of IAS 16 and paragraph 98A of IAS 38 – **limited circumstances in which revenue could be used to reflect the pattern in which the future economic benefits of the asset are expected to be consumed***", "*Furthermore, the IASB noted in the Basis for Conclusions that **in these limited circumstances when revenue could be used, the use of a revenue-based method gives the same result as the use of a unit of production method***". However what IASB exactly states, after considering the question of whether there could be limited circumstances in which revenue could be used to reflect the pattern of consumption of benefits embodied in the asset, is: "*The IASB noted that the **limited circumstances when revenue could be used is when the use of a revenue-based method gives the same result of a units of production method***". In our opinion, in



spite of the misleading wording from IASB, these sentences don't have the same meaning.

2. In relation to paragraph 20, we do not believe that the references to commercial obsolescence in paragraph 62B in IAS 16 and 98B paragraph involve an overlap with the requirements of Impairment of Assets IAS 36. Despite the fact that commercial obsolescence affects the estimation of the expected cash flows to determine an impairment loss, in accordance with paragraph 56 of IAS16 and paragraph 90 of IAS 34 technical or commercial obsolescence is also a factor to determine the useful life and the pattern of consumption of the future benefits embodied in the asset. Both functions are compatible.

Please don't hesitate to contact us if you would like to clarify any point of this letter,

Yours sincerely,

Ana Martínez-Pina
Chairman of ICAC