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n° 52

Paris, the

- 8 AVR. 2013

Monsieur Hans HOOGERVORST
Chairman
IASB

30, Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Re: Exposure Draft ED/2012/5 Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)

Dear Mr Hoogervorst,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the Exposure Draft on the Clarification of Acceptable Methods of Depreciation and Amortisation released by the IASB in December 2012.

The Autorité des Normes Comptables approves the IASB's intention to clarify issues regarding the use of revenue-based methods of depreciation and amortisation. Nevertheless, the ANC has major concerns regarding the proposal which are hereafter commented upon:

- (i) The Exposure Draft states that a revenue-based method depreciation or amortisation is not appropriate. It explains that this is because a revenue-based method reflects a pattern of economic benefits being generated by using the asset, rather than the pattern of consumption of the future economic benefits embodied in the asset itself.

The ANC does not agree with the way this prohibition is expressed in the Standard itself and notes that it appears in contradiction to some of the explanations provided in the Basis for Conclusion. The application of the proposed amendments, as expressed in the Standard, to the media industry would be that entities in that industry need to determine a unique unit of production measure that captures the consumption of the future economic benefits of the rights to a movie throughout its life (in theatres, on video, on pay and free television channels, on video on demand...). We understand that this requirement is not feasible in practice and would not reflect an economic reality.

We consider that a revenue-based method is the best approximate of the consumption of economic benefits arising from rights to a movie. This view is also shared in the Basis for Conclusions to the ED.

- (ii) The proposed new paragraph 62A of IAS 16 and new paragraph 98A of IAS 38 state that “*a method that uses revenue generated from an activity that includes the use of an asset is not an appropriate depreciation method for that asset*”. That leads to considering that the proposed amendment does not allow the use of a revenue-based method in any circumstances. However, the Basis for Conclusions indicates in paragraphs BC3 to BC5 that that could be possible in certain cases. This contradiction between the standard and its basis for conclusion is confusing. The ANC considers that this confusion should be avoided by reformulating the consideration in the Standard and by including, in the Standard, the analysis presented in the Basis for Conclusion (after the necessary clarification explained below).
- (iii) The Basis for Conclusion BC3 states that “*the IASB noted that the limited circumstance when revenue could be used is when the use of a revenue-based method gives the same result as the use of a units of production method*”. The ANC considers that this statement needs to be clarified: in our view, this statement is meant to establish that revenue constitutes, in certain circumstances, an appropriate measure of the consumption of the economic benefits embodied in an asset and that, in those circumstances, a revenue-based method constitutes an appropriate alternative to a units of production method. However, the statement in BC3 could also be read to imply that an entity needs to demonstrate that both types of methods yield the same result. Such a demonstration could be impossible to establish by preparers, especially in cases where there is no observable physical consumption of assets, such as the one described in (i). We believe that the Board should clarify that this not the case.

We hope you find these comments useful and would be pleased to provide any further information you might require.

Yours sincerely,



Jérôme HAAS