25 March 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Re: Exposure Draft *Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)*

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the Exposure Draft ED/2013/1, *Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36)* (the 'ED'), issued by the IASB on 18 January 2013.

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of the definitive IFRS in the European Union and European Economic Area.

To summarise, EFRAG agrees with the proposal as it removes burdensome and unintended disclosure requirements without reducing the relevance and understandability of the financial information.

Our detailed comments and responses to the questions in the ED are set out in the appendix.

If you would like to discuss our comments further, please do not hesitate to contact Giorgio Acunzo or me.

Yours sincerely,

Françoise Flores
EFRAG Chairman

APPENDIX

Question 1 – Disclosures of recoverable amount

The IASB proposes to remove the requirement in paragraph 134(c) to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant when compared to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. In addition, the IASB proposes to amend paragraph 130 to require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

Question 2 – Disclosures of the measurement of fair value less costs of disposal

The IASB also proposes to include in paragraph 130 the requirement to disclose the following information about the fair value less costs of disposal of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognised or reversed an impairment loss during the reporting period:

(a) the valuation technique(s) used to measure fair value less costs of disposal and, if there has been a change in the valuation technique, that change and the reason(s) for making it;

(b) the level of the fair value hierarchy within which the fair value measurement of the asset is categorised in its entirety (without taking into account whether the 'costs of disposal' are observable); and

(c) for fair value measurements that are categorised within Levels 2 and 3 of the fair value hierarchy, the key assumptions used in the measurement.

Do you agree with the proposed amendments? If not, why and what alternative do you propose?

Question 3 –Transition provisions

The IASB proposes that the amendments should be applied retrospectively for annual periods beginning on or after 1 January 2014. The IASB also proposes to permit earlier application, but will not require an entity to apply those amendments in periods (including comparative periods) in which the entity does not also apply IFRS 13.

Do you agree with the proposed transition method and effective date? If not, why and what alternative do you propose?

Question 4 – Other comments

Do you have any other comments on the proposals?

EFRAG's response

EFRAG agrees with these proposed amendments.

Enhanced Disclosures

1 EFRAG supports the proposed amendments to IAS 36 as they provide a timely correction of this oversight and they could have resulted in burdensome disclosures for preparers not outweighed by any benefits to users of financial statements. Therefore, we agree with the proposed amendments.

2 In EFRAG's view, these amendments will alleviate some of the operational burden for preparers as they will be required to provide disclosures on the recoverable amount and on the key assumptions used to asses it only when impairment losses are either recognised or reversed. We believe that this improves the relevance of financial information.

3 Furthermore, entities will not be required to provide qualitative and quantitative information on recoverable amount for each cash-generating unit (or group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful life allocated to that unit (or group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful life. EFRAG believes that this avoids boiler-plate disclosures not relevant to users about cash-generating units that are not impaired and therefore enhances both the relevance and the understandability of disclosures on recoverable amount.

4 Finally, EFRAG generally believes that providing users with disclosures on key measurement input (e.g. the discount rate) when measurement inputs are not based on Level 1 prices generally enhances the quality of financial information. EFRAG's view on this is described in details in its discussion paper *'Towards a Disclosure Framework for the Notes'.*

5 EFRAG agrees with the proposal to enhance the disclosures on discount rates, as explained in our comment letter dated 11 September 2012 on the Exposure Draft ED/2012/1 *Annual Improvements to IFRSs 2010-2012 Cycle*.

6 EFRAG notes that the IASB is proposing to add an illustrative example on *Disclosures about fair value less costs of disposal*. Given that the proposed example covers only the requirements of paragraphs 130(b) and 130(f)(ii) and none of the other requirements in paragraph 130 of IAS 36, we believe the benefits of including the example are outweighed by the risk that constituents might model their disclosures on this very limited example. Therefore, we believe the IASB should not include the example in the standard.

Fatal flaw review process

7 Given the detailed nature of many standards, EFRAG would like to encourage the IASB to strengthen its fatal flaw review process before issuing standards or amendments to avoid the need for subsequent 'repair work', which brings with it due process and implementation costs for constituents.

8 Consequently, in EFRAG's view, the IASB should perform an extensive fatal flaw review before issuing the standards related to its major projects (e.g. IFRS 9 *Financial Instruments (replacement of IAS 39)*, *Insurance Contracts*, *Leases*,

Revenue Recognition), including the consequential amendments to other standards. In particular, EFRAG recommends that the IASB publishes a review draft on each of these major project standards before a final standard is issued. For example, the Review Draft *IFRS 9 General Hedge Accounting* helped in identifying a number of drafting and other concerns that might otherwise have led to difficulties and need for maintenance activities after publication.

Transition provision and effective date

9 EFRAG agrees with the retrospective application of the amendments as this ensures comparability.