



Response to the IASB Exposure Draft
Clarification of Acceptable Methods
of Depreciation and Amortisation
(Proposed amendments to IAS 16 and IAS 38)

29 March 2013

CA House 21 Haymarket Yards Edinburgh EH12 5BH
enquiries@icas.org.uk +44 (0)131 347 0100 icas.org.uk

Direct: +44 (0)131 347 0259 Email: abuttery@icas.org.uk

INTRODUCTION

ICAS welcomes the opportunity to comment on the IASB's Exposure Draft: Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS16 and IAS 38).

The ICAS Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Accounting Standards Committee has considered the Exposure Draft and I am pleased to forward their comments.

Any enquiries should be addressed to Ann Buttery, Assistant Director, Technical Policy and Secretary to the Accounting Standards Committee.

RESPONSE TO THE EXPOSURE DRAFT

We support the IASB's efforts to clarify the guidance in relation to revenue-based depreciation and amortisation methods and agree in principle with the proposals in this Exposure Draft. However, we have concerns about the drafting of the clarifications, specifically guidance being included within the Basis for Conclusions rather than within the standard.

We agree that a revenue-based depreciation method is not suitable under most circumstances as it reflects the economic benefits being generated from an asset, rather than reflecting the economic benefits being consumed through the use of the asset. However, we recognise that there may be certain situations where revenue-based depreciation may be an appropriate method. Specifically, we agree with the IASB's suggestions in the Basis for Conclusions paragraphs BC3 to BC5 on page 11, that there may be certain limited circumstances where a revenue-based method of depreciation could be a surrogate for a 'units of production' method.

However, we are concerned that these limited exceptions are not included within the body of the standard itself, with the standard prohibiting the use of revenue-based depreciation methods without exception, and therefore there is a contradiction between the standard and the Basis for Conclusions.

As we noted in our response to the 'Annual Improvements to IFRSs 2011-2013 Cycle' Exposure Draft dated 18 February 2013, we believe that a clarification of required accounting should be part of the standard itself. As Bases for Conclusions to IFRS do not form part of EU endorsed standards, EU preparers would not benefit from the limited exceptions only noted in the Basis for Conclusions in this Exposure Draft.

We also reiterate that, for each IFRS, the Basis for Conclusions is developed at the time the standard is first issued, reflecting the Board's thinking at that time, and should not be amended. Any points that need to be updated because of subsequent developments should be clearly annotated by footnotes.