19 March 2013

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Hans

AOSSG comments on Exposure Draft ED/2013/1
Recoverable Amount Disclosures for Non-Financial Assets

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the Exposure Draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region. This submission has been circulated to all AOSSG members for their comment after having been initially developed through the AOSSG Chair's Advisory Committee.

Overall, AOSSG members are supportive of the IASB's proposals to amend the disclosure requirements in paragraphs 130 and 134 of IAS 36 *Impairment of Assets*. Our views are explained in more detail in the Appendix.

If you have any queries regarding any matters in this submission, please contact me.

Yours sincerely

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asian-oceanian standard-setters group

Appendix

Detailed comments on the IASB ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets*

Disclosures of recoverable amount [relates to Question 1 of ED/2013/1]

AOSSG members considered the costs and benefits of providing the information as currently required below and noted the explanation provided in paragraphs BC1 and BC2 of ED/2013/1, and accordingly, support:

(a) the proposed removal of the requirement in paragraph 134(c) of IAS 36 *Impairment of Assets* to disclose the recoverable amounts of any cash-generating units with a significant carrying amount of goodwill or intangible assets with indefinite useful lives; and

(b) the proposed amendment to paragraph 130(e) of IAS 36 to require an entity to disclose the recoverable amount of an impaired asset during the reporting period.

Regarding a drafting matter, some AOSSG members note that the proposed disclosure of recoverable amount in the proposed new part of paragraph 130(e) of IAS 36 would apply only to ‘impaired assets’. This seems inconsistent with the lead-in of paragraph 130, which applies to “each impairment loss recognised or reversed during the period for an individual asset, including goodwill, *or a cash-generating unit*” (emphasis added). These members consider that the disclosure requirement for recoverable amount should apply to all items covered by the lead-in of paragraph 130. Accordingly, and for consistency with the expression used elsewhere in paragraph 130(e) in ED/2013/1, these members suggest making this change by adding the following underlined text to proposed paragraph 130(e) of IAS 36:

> “the recoverable amount of the impaired asset <u>(cash-generating unit)</u> and whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use”.

Disclosures of the measurement of fair value less costs of disposal [relates to Question 2 of ED/2013/1]

AOSSG members support the proposed amendments to paragraph 130(f) of IAS 36 to require more detailed disclosures about the measurement of fair value less costs of disposal when an entity has recognised or reversed an impairment loss during the reporting period on the basis that the proposed amendments would provide useful information for users. The additional proposed disclosure requirements in paragraphs 130(f)(i) and 130(f)(ii) of IAS 36 would correspond, respectively, to the already required disclosures in paragraphs 93(d) and 93(b) of IFRS 13 *Fair Value Measurements*.

However, AOSSG members recommend that disclosure of valuation techniques proposed under paragraph 130(f)(i) should only be required for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy in IFRS 13 *Fair Value Measurement*. This is because, consistent with paragraph 93(d) of IFRS 13, fair value measurements categorised within Level 1 of the fair value hierarchy (using a quoted price in an active market for identical assets) would not require the use of valuation techniques. AOSSG members observe that the requirements of paragraph 134(e) of IAS 36 are also consistent with the AOSSG's recommendation; that is, only "if fair value less costs to sell is not determined using an observable market price" would those disclosures be required.

Accordingly, our suggested amendments to the proposed paragraph 130(f)(i) are underlined below:

"(i) <u>for fair value measurements categorised within Level 2 or Level 3 of the fair value hierarchy</u>, a description of the valuation technique(s) used to measure fair value less costs of disposal. …"

In addition, AOSSG members encourage the IASB to consider requiring disclosure of each key assumption on which management has based its determination of value in use, in relation to paragraph 130(g) of IAS 36. This would achieve consistency between the disclosures about fair value less costs of disposal and value in use. For example, AOSSG members observe that whilst proposed paragraph 130(f)(iii) would require each key assumption to be disclosed in respect of fair value less costs of disposal, paragraph 130(g) of IAS 36 presently requires disclosure of no key assumptions, other than discount rates, in respect of value in use.

Having said that, in view of the due process steps that that might be necessary if the disclosures in paragraph 130(g) of IAS 36 were to be extended, AOSSG members do not suggest delaying the amendments to IAS 36 proposed by IASB ED/2013/1. Instead, AOSSG members suggest including proposals to extend the disclosures in paragraph 130(g) of IAS 36 as mentioned directly above in the next set of Annual Improvements.

Transition provisions [relates to Question 3 of ED/2013/1]

AOSSG members support the proposed transition provisions, and particularly support permitting early application because it considers the proposed amendments to IAS 36 would improve financial reporting, and therefore the improved information should be available to users as soon as possible.

AOSSG members also note that, consistent with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, retrospective application would not be required to the extent that it is impracticable. Accordingly, AOSSG members consider that requiring the proposed amendments to paragraphs 130 and 134 of IAS 36 to be applied retrospectively should not be unduly onerous.