



Australian Government
Australian Accounting Standards Board

Memorandum

To:	AASB members	Date:	5 February 2013
From:	Jim Paul	Agenda Item:	13.1
Subject:	IASB Proposals: Clarification of Acceptable Methods of Depreciation and Amortisation	File:	

Actions

- Form preliminary views on the significant issues in IASB ED/2012/5 *Clarification of Acceptable Methods of Depreciation and Amortisation*, subject to considering any subsequent comment letters on AASB ED 231 (which incorporates IASB ED/2012/5)
- Decide the process for finalising the Board's submission to the IASB

Attachments

- Agenda Paper 13.2 Staff Issues Paper: Forming Preliminary Views on IASB ED/2012/5 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Agenda Paper 13.3 AASB ED 231 (incorporating IASB ED/2012/5) *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Agenda Paper 13.4 Comment letters received to date on AASB ED 231

Background

In December 2012, the IASB published ED/2012/5 and the AASB issued ED 231, which incorporates the IASB ED. The ED proposes to amend IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit a depreciation or amortisation method that uses revenue generated from an activity that includes the use of an asset.

Comments on the ED are due to the AASB by 1 March 2013 and to the IASB by 2 April 2013. Two comment letters have been received to date on AASB ED 231 (see Agenda Paper 13.4) and have been considered in the development of the AASB staff's preliminary views. Due to the small number of comment letters received to date, no formal analysis of them has been prepared.

Agenda Paper 13.2 (the Staff Issues Paper) sets out the staff's preliminary views on the significant issues to be included in the Board's submission on IASB ED/2012/5. The preliminary view of AASB staff regarding the primary issue in the ED is that the Board should not support the IASB's proposal to prohibit, in all cases, applying a revenue-based depreciation or amortisation method. Therefore, AASB staff suggest that the Board encourages the IASB not to proceed further with its proposed amendment to IAS 16 and IAS 38.

Process for finalising Board submission

Board members are asked whether they wish to establish a subcommittee to facilitate the finalisation of the Board's submission to the IASB. Staff recommend review of the submission by the Chairman only, subject to whether the comment letters on AASB ED 231 (which will be provided to Board members out of session) raise significant new issues (or contrary views) that might warrant subcommittee involvement.

Regardless of whether a subcommittee is established, Board members are welcome to provide comments to staff out of session on drafting or other issues regarding IASB ED/2012/5 and the Board's submission on it.

Because the ED does not include proposed changes to disclosures, it has no implications for Tier 2 disclosure requirements.