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ACCA

Australian Accounting Standards Board
PO Box 204
Collins St West
Melbourne, VIC 8007
Australia

15 May 2009

Dear Sirs

Initial accounting for internally generated intangible assets

ACCA (Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the above discussion paper (DP) which was considered by ACCA's Financial Reporting Committee and I am writing to give you their views.

ACCA is the global body for professional accountants, supporting 131,500 members and 362,000 students throughout their careers, and providing services through a network of 82 offices and centres. We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

ACCA's comments

The DP's starting premise is that the manner by which an intangible item comes into existence is not relevant to the determination of whether an item can be identified as an asset.

We have considerable sympathy for this view and the problems which may be raised by the inconsistency of the current models in requiring recognition of intangible assets when purchased or when they are the development costs of new products or services, but not when otherwise internally generated. We also accept the conceptual advantages of the valuation model set out in the DP as opposed to the cost model.

ACCA

There are significant issues however with the proposals which in our view make it difficult to progress them.

- It is unclear whether the information that would be provided by the proposed model would be useful to users. We note for example the reservations of users in Paragraph 24 of the DP.
- The costs of providing the information might be significant, especially if the valuation model were required, and these need to be weighed against the benefits if any.
- Furthermore there are major practical difficulties as well as costs in trying to provide reliable valuations of the intangible assets that will be accepted by users.

The DP spent inadequate attention to these fundamental issues which are needed to justify the changes proposed in the first place.

Furthermore the timing of the proposals is not right to be taken forward at this point.

- There has been a loss of confidence in using values for accounting and this has not yet been remedied.

- Also the DP's proposals are substantially based on the recognition and measurement of intangible assets (separately from goodwill) in IFRS3. In our view there needs to be more evidence gathered and assessment of how well IFRS3 has been working and in particular on the increased recognition of separate intangible assets. This work may help to justify the model proposed for internally generated intangibles and allay concerns over the reliability of the valuations used.

We noted the suggestion explored in paragraphs 252 and 253 of starting with a disclosure-only system for reporting internally generated intangible assets. That seems a sensible suggestion, though we would support such information provided outside the financial statements in the management commentary section or equivalent.

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If there are any matters arising from the above please be in touch with me.

Yours sincerely

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