

From: [Shazia Vapiwalla](#)
To: [AASB Mailbox](#)
Subject: Acceptable Method of Depreciation & Amortisation
Date: Tuesday, 29 January 2013 2:04:25 PM
Attachments: [Comments IAS 16.docx](#)

Hi,
Please enclosed find the comments for IAS 16.
[Regards](#)

[Shazia](#)

Question 1

The IASB proposes to amend IAS 16 Property, plant & 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. This is because it reflects a pattern of future economic benefits being generated from the asset, rather than reflecting the expected pattern of consumption of the future economic benefits embodied in the asset. Do you agree? Why or why not?

Answer 1

I don't agree with the proposed amendments, as selection of this method usually arises when straight line or diminishing method cannot be used to determine depreciation.

Based on the Framework of the Standard, matching concept states that expenses are recognised on the basis of direct association between the costs incurred and the earning of specific items of income or allocation of expenses in which economic benefits associated with these items are consumed or expire.

Revenue generated by the asset is actually reflecting the pattern of benefits embodied by that asset. The expected revenue is in such a scenario anticipated due to the expected patterning of consumption of the asset, therefore this method of depreciation or amortisation is reasonable. If a particular asset would not have consumed/expire there exist no possibility of generating that particular revenue.

Question 2

Do you have any other comments on the proposals?

None.