

1 March 2013

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street VIC 8007

Via e-mail: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

### **Exposure Draft 231: Clarification of Acceptable Methods of Depreciation and Amortisation**

Thank you for the opportunity to comment on the Exposure Draft 231: Clarification of Acceptable Methods of Depreciation and Amortisation (ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We do not support the proposal to modify AASB 116 *Property, Plant and Equipment*/AASB 138 *Intangible Assets*, to disallow the use of a depreciation/amortisation method that uses revenue generated from an activity that includes the use of an asset. It is feasible that in some cases a revenue based method will best approximate the consumption of economic benefits arising from the asset. This is also acknowledged in the basis of conclusions to the ED.

Currently the two accounting standards allow a variety of depreciation/amortisation methods to be used to allocate depreciation/amortisation of an asset over its useful life, including the straight-line, diminishing balance and units of production methods. These methods are used to estimate the charge for depreciation/amortisation that closely approximates consumption of economic benefits arising from the asset. Different depreciation/amortisation methods will best approximate the consumption of economic benefits arising from different assets, and no one depreciation/amortisation method can reflect the consumption of economic benefits in all circumstances. Accordingly, we believe the choice of the best depreciation/amortisation method that appropriately reflects the consumption of economic benefits arising from an asset should be left to the preparers of financial statements. However, it would be helpful to provide guidance on how to choose such an appropriate method, and the discussions and proposals set out in the ED could be included in the Bases of Conclusions of AASB 116/AASB 138 to assist users in making a suitable choice.

Representatives of the Australian Accounting Profession



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Institute of  
Chartered Accountants  
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If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex Malley', with a stylized flourish at the end.

**Alex Malley**  
Chief Executive Officer  
CPA Australia Ltd

A handwritten signature in black ink, appearing to read 'Lee White', with a stylized flourish at the end.

**Lee White**  
Chief Executive Officer  
Institute of Chartered Accountants in  
Australia

cc: M Shying