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The Chairman
Australian Accounting Standards Board
PO BOX 204
Collins Street
West Victoria 8007

26 March 2013

Dear Mr Stevenson

Ernst & Young's global submission to the IASB on the Exposure Draft Recoverable Amount Disclosures for Non-Financial Assets - Proposed Amendments to IAS

Please find enclosed Ernst & Young's global submission to the IASB on the above Exposure Draft.

Yours sincerely

Ernst & Young

Ernst & Young

Encl:

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under Professional Standards Legislation

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International Accounting Standards Board
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19 March 2013

Dear IASB members

Invitation to comment – *Exposure draft Recoverable Amount Disclosures for Non-Financial Assets - Proposed Amendments to IAS 36*

The global organisation of Ernst & Young is pleased to submit its comments on the above Exposure Draft.

We support the proposed amendment to paragraph 134(c) and note that in the absence of amendment, the disclosure requirements in the paragraph would exceed the IASB's original intention. However, we ask the IASB to reconsider whether it is necessary at this time to increase the disclosure requirements under IAS 36 with the aim of consistency with IFRS 13 – *Fair value measurement* at the detriment of consistency within IAS 36. The proposals would lead to a situation where the required disclosures if an impairment loss were calculated by reference to FVLCD would go far beyond the required disclosures if the same impairment loss were calculated by reference to VIU. We also note that the proposed requirements exceed those in IFRS 13 for fair value measurements categorised within level 2 of the fair value hierarchy. Overall we suggest that the IASB first assesses the results from its Discussion Forum: *Disclosures in Financial Reporting*, before these types of amendments are made to existing standards.

We have included a detailed discussion of our comments in the appendix to this letter.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at +31 88 4075035.

Yours faithfully

Ernst & Young

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No. 4328808

Appendix

Question 1 Disclosures of recoverable amount

We support the proposed amendment to paragraph 134(c) and note that in the absence of amendment, the disclosure requirements in the paragraph would exceed the IASB's original intention.

However, we question whether it is necessary to transfer this requirement to paragraph 130(e), thereby requiring disclosure of the recoverable amount when an impairment loss has been recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit. The reasons are considered in more detail in our response to question 2 below.

Question 2 Disclosures of the measurement of fair value less costs of disposal

As a general starting point we suggest, especially since the existing disclosure requirements under IAS 36 are both extensive and challenging, that the IASB make no additional disclosure requirements until it has been able to assess the results of the Discussion Forum: *Disclosures in Financial Reporting*.

We specifically ask the IASB to reconsider the proposal to increase the disclosure requirements in paragraph 130(f) if an impairment loss has been calculated by reference to fair value less costs of disposal (FVLCD) rather than value-in-use (VIU). We consider that, in principle, consistency within IAS 36 is more important than consistency with IFRS 13 – *Fair value measurement*. The proposals would lead to a situation where the required disclosures if the impairment loss were calculated by reference to FVLCD would go far beyond the required disclosures if the same impairment loss were calculated by reference to VIU. We also note that the proposed requirements exceed those in IFRS 13 for fair value measurements categorised within level 2 of the fair value hierarchy, e.g. by requiring disclosure of the discount rate in all circumstances. Finally, the disclosures in respect of FVLCD under paragraph 130 (f) would now be different, as well as differently worded, from the disclosure requirements in respect of FVLCD in paragraph 134 (e).

Question 3 Transition provisions

We have no comments on the transitional provisions.

Question 4 Other comments

Proposed paragraph 130(f)(iii) states that "An entity shall also disclose the discount rate used in the previous measurement (if any)." We note that the IASB is not "requesting comments on the proposed amendment to require an entity to disclose the discount rate used in a present value technique, because this topic was already subject to public comments during the Annual Improvements to IFRSs 2010–2012 Cycle." However, we would like to clarify the meaning of the proposal. It is not clear whether it refers to any previous measurement of the same asset or CGU or any impairment loss if recoverable amount was FVLCD. If the latter, we consider that this would be covered by the general requirement to disclose comparative information but as all impairment losses are specific to the assets whose recoverable amount is tested for impairment and to the circumstances at the time of the impairment test, we question how much benefit the disclosure would give to the users of the financial statements.

In proposed Illustrative Example 10, Note (b) below the illustrative disclosure refers to the "implied fair value less costs of disposal" of the asset. We are unsure what is meant by "implied" as this word is not used in IAS 36 in the context of FVLCD. In addition, it is very rare for the recoverable amount of a CGU to be equal to the carrying amount of goodwill, as normally other assets are part of the CGU as well. This example may indicate that "goodwill" has been tested as a separate asset instead of as part of the respective CGU (or part of a group of CGUs).