

Introduction and Invitation to Comment

In this Exposure Draft the International Accounting Standards Board proposes to amend IAS 38 *Intangible Assets* by removing the last sentence of paragraph 98 which states:

'There is rarely, if ever, persuasive evidence to support an amortisation method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight-line method'

The Board has been informed that in practice the words 'rarely, if ever' in paragraph 98 are interpreted as 'never'. The IFRIC project on service concessions highlighted situations where using the unit of production method of amortisation would be appropriate. However, where the expected pattern of consumption of the future economic benefits in the asset is weighted to the end of the asset's life, paragraph 98 is perceived as restricting an operator from using this method. The Board proposed an amendment to IAS 38 to resolve the issue.

The Board invites comments on the amendment to IAS 38 *Intangible Assets*. It would particularly welcome answers to the question set out below. Comments are most helpful if they contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IAS 38 not addressed in the Exposure Draft.

Question

Do you agree with the proposal to remove the last sentence of paragraph 98 of IAS 38? If not, why?

Proposed Amendment to IAS 38 *Intangible Assets*

In the Standard, paragraph 98 is amended (deleted text is struck through).

- 98 A variety of amortisation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the unit of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. ~~There is rarely, if ever, persuasive evidence to support an amortisation method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight line method.~~

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in proposing amendments to IAS 38 *Intangible Assets*.
- BC2 In some service concession arrangements, an intangible asset for the right to charge users for public services is created. Paragraph 98 is perceived as preventing an operator from using the unit of production method to amortise these assets if it results in a lower amount of accumulated amortisation than under the straight-line method. However, this can be inconsistent with the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset. Therefore, the Board proposes to amend paragraph 98 to make it clear that entities may use the unit of production method of amortisation even when it results in a lower amount of accumulated amortisation than does the straight-line method.