

Winnie Chan

主旨: FW: HKICPA Invitation to Comment on IASB ED on Clarification of Acceptable Methods of Depreciation and Amortization for Property, Plant and Equipment and Intangible Assets

From: Steve Ong [<mailto:SteveOng@HKEX.COM.HK>]

Sent: Friday, January 11, 2013 7:25 PM

To: Simon Riley; Winnie Chan

Cc: ComMem-DICKENS Mark; David Graham; Grace Hui; Committee-FRSC

Subject: HKICPA Invitation to Comment on IASB ED on Clarification of Acceptable Methods of Depreciation and Amortization for Property, Plant and Equipment and Intangible Assets

Dear Simon and Winnie,

HKICPA Invitation to Comment on IASB ED on Clarification of Acceptable Methods of Depreciation and Amortization for Property, Plant and Equipment and Intangible Assets (IASB deadline 2 April 2013)

Thank you for the HKICPA letter dated 11 December 2012 on the subject matter addressed to our Mr. Mark Dickens, Head of Listing, which has been passed to me for my attention as the HKEx representative member on the HKICPA Financial Reporting Standards Committee.

I have the following comments for your consideration:

The exposure draft proposes amendments to the IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. A variety of depreciation 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 units of production method. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits.

It is my understanding that the objective of the proposed amendments is to ensure that preparers do not use “revenue-based” methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This is because a “revenue-based” method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of future economic benefits embodied in the asset. The key principle for depreciation or amortization is the consumption of the benefits that were inherent in the asset when it was acquired. The issue originated from a submission to the IFRS Interpretations Committee.

I support the above IASB’s efforts to clarify the current requirements in IAS 16 and IAS 38.

Kind regards,
Steve

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