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3 April 2003

Ms. Annette Kimmitt
Senior Project Manager
International Accounting Standards Boards
30 Cannon Street, London EC4M 6XH
United Kingdom

Dear Ms. Annette Kimmitt:

I am happy to inform you that the International Accounting Standards Review Committee (IASRC) of the Korea Accounting Standards Board (KASB) has held a successful meeting and has finalized on its comments to the IAS ED 3 Business Combinations and Proposed Amendments to IAS 36 & 38. I would appreciate your including our comments in your summary of analysis that will be presented to the IASB.

The enclosed comments are those of the IASRC and do not represent an official position of the KASB. The official position of the KASB is determined only after extensive due process and deliberation, to which this letter has not been subjected.

Please do not hesitate to contact us if you have any inquiries regarding our comments; you may forward your inquiries either to Mr. Jae-ho Kim, KASB Research Staff (jhkim@kasb.or.kr) or Mr. Kyoung-chun Yu, KASB Research Staff (yukc@kasb.or.kr).

Best regards,

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Dr. Kyung-ho Kim
Chairman, International Accounting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Encl: IASRC comments on IAS ED 3 Business Combinations

KASB IASRC Comments on ED 3 Business Combinations

Question 1 – Scope

The Exposure Draft proposes:

(a) to exclude from the scope of the IFRS business combinations in which separate entities or operations of entities are brought together to form a joint venture, and business combinations involving entities under common control (see proposed paragraphs 2 and 3 and paragraphs BC9-BC11 of the Basis for Conclusions).

Are these scope exclusions appropriate? If not, why not?

The IASRC agrees with the proposed scope exclusions. It is reasonable to defer until the second phase of the consideration of the accounting for the formation of joint ventures and business combinations involving entities under common control.

(b) to include in the IFRS a definition of business combinations involving entities under common control, and additional guidance on identifying such transactions (see proposed paragraphs 9-12 and Appendix A, and paragraphs BC12-BC15 of the Basis for Conclusions).

Are the definition and additional guidance helpful in identifying transactions within the scope exclusion? If not, what additional guidance would you suggest, and why?

The IASRC believes that the definition and additional guidance are helpful in identifying transactions within the scope exclusion.

Question 2 – Method of accounting for business combinations

The Exposure Draft proposes to eliminate the use of the pooling of interests method and require all business combinations within its scope to be accounted for by applying the purchase method (see proposed paragraphs 13-15 and paragraphs BC18-BC35 of the Basis for Conclusions).

Is this appropriate? If not, why not? If you believe the pooling of interests method should be applied to a particular class of transactions, what criteria should be used to distinguish those transactions from other business combinations, and why?

Fundamentally, the IASRC agrees with the proposal, but suggests that IFRS should provide more thorough and specific guidance to identify an acquirer. There could be extremely rare circumstances in which an acquirer cannot be identified easily. The arbitrary identification of an acquirer in these circumstances will not provide meaningful financial information.

Question 3 – Reverse acquisitions

Under IAS 22 Business Combinations, a business combination is accounted for as a reverse acquisition when an entity (the legal parent) obtains ownership of the equity of another entity (the legal subsidiary) but, as part of the exchange transaction, issues enough voting equity as consideration for control of the combined entity to pass to the owners of the legal subsidiary. In such circumstances, the legal subsidiary is deemed to be the acquirer. The Exposure Draft:

(a) proposes to modify the circumstances in which a business combination could be regarded as a reverse acquisition by clarifying that for all business combinations effected through an exchange of equity interests, the acquirer is the combining entity that has the power to govern the financial and operating policies of the other entity (or entities) so as to obtain benefits from its (or their) activities. As a result, a reverse acquisition occurs when the legal subsidiary has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities (see proposed paragraph 21 and paragraphs BC37-BC41 of the Basis for Conclusions).

Is this an appropriate description of the circumstances in which a business combination should be accounted for as a reverse acquisition? If not, under what circumstances, if any, should a business combination be accounted for as a reverse acquisition?

The IASRC believes that the description is appropriate. The acquirer should be identified as the party that has obtained the power to govern the financial and operating policies of the combined entity at the date of the business combination. Just one factor, such as owning more than half the voting rights after the combination, should not be the only one determinable factor and the proposed standard should state more clearly that all relevant facts and circumstances should be considered.

(b) proposes additional guidance on the accounting for reverse acquisitions (see proposed paragraphs B1-B14 of Appendix B).

Is this additional guidance appropriate? If not, why not? Should any additional guidance be included? If so, what specific guidance should be added?

The IASRC believes that the proposed additional guidance is appropriate.

Question 4 – Identifying the acquirer when a new entity is formed to effect a business combination

The Exposure Draft proposes that when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination should be adjudged the acquirer on the evidence available (see proposed paragraph 22 and paragraphs BC42-BC46 of the Basis for Conclusions).

Is this appropriate? If not, why not?

The IASRC agrees that when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination should be adjudged the acquirer on the evidence available. In substance, a new entity is formed to issue equity instruments to effect a business combination is not different from a transaction in which one of the combining entities acquires the other. It is reasonable that similar transactions are accounted for in the same way.

Question 5 – Provisions for terminating or reducing the activities of the acquiree

Under IAS 22, an acquirer must recognise as part of allocating the cost of a business combination a provision for terminating or reducing the activities of the acquiree (a 'restructuring provision') that was not a liability of the acquiree at the acquisition date, provided the acquirer has satisfied specified criteria. The Exposure Draft proposes that an acquirer should recognise a restructuring provision as part of allocating the cost of a business combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see proposed paragraph 40 and paragraphs BC55-BC66 of the Basis for Conclusions).

Is this appropriate? If not, what criteria should an acquirer be required to satisfy to recognise a restructuring provision that was not a liability of the acquiree as part of allocating the cost of a combination, and why?

The IASRC agrees with the proposal. For, if recognition of a restructuring provision that was not liability of the acquiree at the acquisition date is permitted, similar items would be accounted for in dissimilar ways because the timing of the recognition of restructuring provisions would differ depending on whether a plan to restructure arises in connection with, or in the absence of, a business combination. The IASRC agrees that it is determined in accordance with IAS 37 whether existing liability for restructuring recognized.

Question 6 – Contingent liabilities

The Exposure Draft proposes that an acquirer should recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably (see proposed paragraphs 36 and 45 and paragraphs BC80-BC85 of the Basis for Conclusions).
Is this appropriate? If not, why not?

The IASRC agrees that an acquirer should recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably , except for the following minority opinion:

The proposed recognition criteria are not consistent with the recognition criteria applying to liabilities and contingent liabilities in IAS 37. Therefore even in case of a business combinations, contingent liabilities should be recognized in accordance with the recognition criteria applying to liabilities and contingent liabilities in IAS 37

Question 7 – Measuring the identifiable assets acquired and liabilities and contingent liabilities assumed

IAS 22 includes a benchmark and an allowed alternative treatment for the initial measurement of the identifiable net assets acquired in a business combination, and therefore for the initial measurement of any minority interests. The Exposure Draft proposes requiring the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost to be measured initially by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree will be stated at the minority's proportion of the net fair values of those items. This proposal is consistent with the allowed alternative treatment in IAS 22 (see proposed paragraphs 35 and 39 and paragraphs BC88-BC95 of the Basis for Conclusions).
Is this appropriate? If not, how should the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost of a business combination be measured when there is a minority interest in the acquiree, and why?

The IASRC agrees with the proposal requiring the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost to be measured initially by the acquirer at their fair values at the acquisition date.

Question 8 – Goodwill

The Exposure Draft proposes that goodwill acquired in a business combination should be recognised as an asset and should not be amortised. Instead, it should be accounted for after initial recognition at cost less any accumulated impairment losses (see proposed paragraphs 50-54 and paragraphs BC96- BC108 of the Basis for Conclusions).
Do you agree that goodwill acquired in a business combination should be recognised as an asset? If not, how should it be accounted for initially, and why? Should goodwill be accounted for after initial recognition at cost less any accumulated impairment losses? If not, how should it be accounted for after initial recognition, and why?

The IASRC agrees that goodwill acquired in a business combination should be recognised as an asset and should be accounted for after initial recognition at cost less any accumulated impairment losses without amortisation, except for the following minority opinion:

Goodwill should also be amortized over time. Impairment test requires many assumptions, which also cannot be assured easily. Therefore it should be encouraged to reduce a goodwill balance quickly, even if it is not easy to estimate the useful life of economic benefits.

Question 9 – Excess over the cost of a business combination of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities liabilities

In some business combinations, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost of the combination exceeds that cost. The Exposure Draft proposes that when such an excess exists, the acquirer should:
(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
(b) recognise immediately in profit or loss any excess remaining after that reassessment.

(See proposed paragraphs 55 and 56 and paragraphs BC109-BC120 of the Basis for Conclusions.)
Is this treatment appropriate? If not, how should any such excess be accounted for, and why?

The IASRC agrees with the proposed treatment. The IASRC believes that expectations of future losses and expenses generate negative goodwill could not give rise to an excess. Although expectations of future losses and expenses have an effect of depressing the price that an acquirer is willing to pay for the acquiree, the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities will be similarly affected. That part of excess arising from a bargain purchase should be immediately recognised in profit because it is made from procedure of business combination.

However, the IASRC notes the view that such proposed reassessment is not feasible and, if ever, is unlikely to bring about complete results. Therefore, the IASRC believes that additional guidance for reassessment is necessary.

Question 10 – Completing the initial accounting for a business combination and subsequent adjustments to that accounting

The Exposure Draft proposes that:

(a) if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer should account for the combination using those provisional values. Any adjustment to those values as a result of completing the initial accounting is to be recognised within twelve months of the acquisition date (see proposed paragraphs 60 and 61 and paragraphs BC123-BC126 of the Basis for Conclusions).

Is twelve months from the acquisition date sufficient time for completing the accounting for a business combination? If not, what period would be sufficient, and why?

The IASRC believes that twelve months from the acquisition date is sufficient time for completing the accounting for a business combination.

(b) with some exceptions carried forward as an interim measure from IAS 22, adjustments to the initial accounting for a business combination after that accounting is complete should be recognised only to correct an error (see proposed paragraphs 62 and 63 and paragraphs

BC127-BC132 of the Basis for Conclusions).

Is this appropriate? If not, under what other circumstances should the initial accounting be amended after it is complete, and why?

The IASRC believes that the proposal is appropriate.

IASRC Comments on
Proposed Amendments to IAS 36 Impairment of Assets

Question 1 – Frequency of impairment tests

Are the proposals relating to the frequency of impairment testing intangible assets with indefinite useful lives and acquired goodwill appropriate (see proposed paragraphs 8 and 8A and paragraphs C6, C7 and C41 of the Basis for Conclusions)? If not, how often should such assets be tested for impairment, and why?

The IASRC believes that the proposal is appropriate. Because non-amortization of an intangible asset increases the need for impairment reviews of that asset to ensure that its carrying amount does not exceed its recoverable amount, indefinite life intangibles should be tested for impairment at the end of each annual reporting period regardless of whether there is any indication of impairment.

Question 2 – Intangible assets with indefinite useful lives

The Exposure Draft proposes that the recoverable amount of an intangible asset with an indefinite useful life should be measured, and impairment losses (and reversals of impairment losses) for such assets accounted for, in accordance with the requirements in IAS 36 for assets other than goodwill (see paragraphs C10-C11 of the Basis for Conclusions).
Is this appropriate? If not, how should the recoverable amount be measured, and impairment losses (and reversals of impairment losses) be accounted for?

The IASRC agrees that the recoverable amount of an intangible asset with an indefinite useful life should be measured and impairment losses (and reversals of impairment losses) for such assets accounted for, in accordance with the requirements in IAS 36 for assets other than goodwill.

Question 3 – Measuring value in use

The Exposure Draft proposes additional guidance on measuring the value in use of an asset. Is this additional guidance appropriate? In particular:

(a) should an asset's value in use reflect the elements listed in proposed paragraph 25A? If not, which elements should be excluded or should any additional elements be included? Also, should

an entity be permitted to reflect those elements either as adjustments to the future cash flows or adjustments to the discount rate (see proposed paragraph 26A and paragraphs C66 and C67 of the Basis for Conclusions)? If not, which approach should be required?

The IASRC believes that an asset's value in use should reflect the elements listed in proposed paragraph 25A. An entity should be permitted to reflect the elements in the calculation of an asset's value in use either as adjustments to the future cash flows, or adjustments to the discount rate. The IASRC believes that expected cash flow approach to present value should be more widely used.

(b) should the assumptions on which cash flow projections are based take into account both past actual cash flows and management's past ability to forecast cash flows accurately (see proposed paragraph 27(a)(ii) and paragraphs C66 and C67 of the Basis for Conclusions)? If not, why not?

The IASRC believes that the guidance (b) is appropriate because it is critical that appropriate account is taken of management's ability to prepare accurate forecasts, based on the accuracy of previous projections.

(c) is the additional guidance in proposed Appendix B to [draft] IAS 36 on using present value techniques in measuring an asset's value in use appropriate? If not, why not? Is it sufficient? If not, what should be added?

The IASRC believes that the guidance (c) and the simple practical examples are helpful and appropriate

Question 4 – Allocating goodwill to cash-generating units

The Exposure Draft proposes that for the purpose of impairment testing, acquired goodwill should be allocated to one or more cash-generating units.

(a) Should the allocation of goodwill to one or more cash-generating units result in the goodwill being tested for impairment at a level that is consistent with the lowest level at which management monitors the return on the investment in that goodwill, provided such monitoring is conducted at or below the segment level based on an entity's primary reporting format (see proposed paragraphs 73-77 and paragraphs C18- C20 of the Basis for Conclusions)? If not, at what level should the goodwill be tested for impairment, and why?

The IASRC believes that the allocation of goodwill to one or more cash-generating units should result in the goodwill being tested for impairment at a level that is consistent with the lowest level at which management monitors the return on investment in that goodwill, provided such monitoring is conducted at or below the segment level based on an entity's primary reporting format. There should be a link between the level at which goodwill is tested for impairment and the level of internal reporting that reflects the way an entity manages its operations and to which the goodwill naturally would be associated.

(b) If an entity disposes of an operation within a cash-generating unit to which goodwill has been allocated, should the goodwill associated with that operation be included in the carrying amount of the operation when determining the gain or loss on disposal (see proposed paragraph 81 and paragraphs C21-C23 of the Basis for Conclusions)? If not, why not? If so, should the amount of the goodwill be measured on the basis of the relative values of the operation disposed of and the portion of the unit retained or on some other basis?

The IASRC believes that if an entity disposes of an operation within a cash-generating unit to which goodwill has been allocated, the goodwill associated with that operation should be included in the carrying amount of the operation when determining the gain or loss on disposal. When an operation within a cash-generating unit to which goodwill has been allocated is disposed of, it is appropriate to presume that some amount of goodwill is associated with that operation. And it would be the least arbitrary means to measure the amount of goodwill on the basis of the relative values of the operation disposed of and the portion of the unit retained.

(c) If an entity reorganises its reporting structure in a manner that changes the composition of one or more cash-generating units to which goodwill has been allocated, should the goodwill be reallocated to the units affected using a relative value approach (see proposed paragraph 82 and paragraphs C24 and C25 of the Basis for Conclusions)? If not, what approach should be used?

The IASRC believes that if an entity reorganises its reporting structure in a manner that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill should be reallocated to the units affected using a relative value approach. A reorganization that changes the composition of a cash-generating unit to which goodwill has been allocated gives rise to the same allocation problem as disposing of an operation within that unit.

Question 5 – Determining whether goodwill is impaired

The Exposure Draft proposes:

(a) that the recoverable amount of a cash-generating unit to which goodwill has been allocated should be measured as the higher of the unit's value in use and net selling price (see proposed paragraphs 5 (definition of recoverable amount) and 85 and paragraph C17 of the Basis for Conclusions).

Is this appropriate? If not, how should the recoverable amount of the unit be measured?

The IASRC agrees with the proposal. The impairment test for cash-generating units that include goodwill should not depart from that for other assets.

(b) the use of a screening mechanism for identifying potential goodwill impairments, whereby goodwill allocated to a cash-generating unit would be identified as potentially impaired only when the carrying amount of the unit exceeds its recoverable amount (see proposed paragraph 85 and paragraphs C42-C51 of the Basis for Conclusions).

Is this an appropriate method for identifying potential goodwill impairments? If not, what other method should be used?

The IASRC agrees with the proposed method, a screening mechanism. Using a comparison of a unit's carrying amount with its recoverable amount as a screen to identify potential goodwill impairments would reduce significantly the costs of applying the goodwill test and justify the cost of measuring goodwill impairment by calculating the implied value of the goodwill.

(c) that if an entity identifies goodwill allocated to a cash-generating unit as potentially impaired, the amount of any impairment loss for that goodwill should be measured as the excess of the goodwill's carrying amount over its implied value measured in accordance with proposed paragraph 86 (see proposed paragraphs 85 and 86 and paragraphs C28-C40 of the Basis for Conclusions).

Is this an appropriate method for measuring impairment losses for goodwill? If not, what method should be used, and why?

The IASRC agrees with the proposed method. To separate the recoverable amount of goodwill allocated to a cash-generating unit from the recoverable amount of the unit as a whole, the amount of any impairment loss for that goodwill should be measured as the excess of the goodwill's carrying amount over its implied value.

Question 6 – Reversals of impairment losses for goodwill

The Exposure Draft proposes that reversals of impairment losses recognized for goodwill should be prohibited (see proposed paragraph 123 and paragraphs C62-C65 of the Basis for Conclusions).
Is this appropriate? If not, what are the circumstances in which reversals of impairment losses for goodwill should be recognised?

The IASRC agrees with the proposal. Because the acquired goodwill and internally generated goodwill contribute jointly to the same cash flows, any subsequent increase in the recoverable amount of the acquired goodwill is indistinguishable from an increase in the internally generated goodwill. If reversals of impairment losses for goodwill were permitted, it might result in the direct recognition of internally generated goodwill, which is prohibited by IAS 38 Intangible Assets.

Question 7 – Estimates used to measure recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives

The Exposure Draft proposes requiring a variety of information to be disclosed for each segment, based on an entity's primary reporting format, that includes within its carrying amount goodwill or intangible assets with indefinite useful lives (see proposed paragraph 134 and paragraphs C69-C82 of the Basis for Conclusions).

(a) Should an entity be required to disclose each of the items in proposed paragraph 134? If not, which items should be removed from the disclosure requirements, and why?

The IASRC agrees with the proposal. However, the IASRC notes the view that it is too burdensome to provide the information regarding the sensitivity of the recoverable amounts of the units to change in the key assumptions and estimates, and the proposed disclosures may result in the disclosure of commercially sensitive information.

(b) Should the information to be disclosed under proposed paragraph 134 be disclosed separately for a cash-generating unit within a segment when one or more of the criteria in proposed paragraph 137 are satisfied? If not, why not?

The IASRC agrees with the proposal.

IASRC Comments on
Proposed Amendments to IAS 38 Intangible Assets

Question 1 – Identifiability

The Exposure Draft proposes that an asset should be treated as meeting the identifiability criterion in the definition of an intangible asset when it is separable or arises from contractual or other legal rights (see proposed paragraphs 10 and 11 and paragraphs B6-B10 of the Basis for Conclusions).
Are the separability and contractual/other legal rights criteria appropriate for determining whether an asset meets the identifiability criterion in the definition of an intangible asset? If not, what criteria are appropriate, and why?

The IASRC believes that the separability and contractual/other legal rights criteria are appropriate. The Standard should provide a more definitive basis for identifying and recognizing intangible assets acquired in a business combination separately, since the usefulness of financial statements would be enhanced if intangible assets acquired in a business combination were distinguished from goodwill.

Question 2 – Criteria for recognising intangible assets acquired in a business combination separately from goodwill

This Exposure Draft proposes clarifying that for an intangible asset acquired in a business combination, the probability recognition criterion will always be satisfied and, with the exception of an assembled workforce, sufficient information should always exist to measure its fair value reliably (see proposed paragraphs 29-32 and paragraphs B11-B15 of the Basis for Conclusions). Therefore, as proposed in ED 3, an Exposure Draft of a proposed International Financial Reporting Standard Business Combinations, an acquirer should recognise, at the acquisition date and separately from goodwill, all of the acquiree's intangible assets, excluding an assembled workforce, that meet the definition of an intangible asset (see proposed paragraphs 36, 43 and 44 of ED 3).
Do you agree that, with the exception of an assembled workforce, sufficient information can reasonably be expected to exist to measure reliably the fair value of an intangible asset acquired in a business combination? If not, why not? The Board would appreciate respondents outlining the specific circumstances in which the fair value of an intangible asset acquired in a business combination could not be measured reliably.

The IASRC agrees with the proposal. On the assumption that the fair value of an intangible asset reflects market expectations about the probability that the future economic benefits associated with the intangible asset will flow to the entity, which means that the probability recognition criterion will always satisfied for an intangible asset, the 'reliability of measurement' recognition criterion is subsumed within the 'identifiability' criterion for classifying an asset as an intangible asset and recognizing it separately from goodwill. However, the approach that the effect of probability is reflected in the cost of an intangible asset will result in a general inconsistency with the recognition criteria for assets and liabilities in the Framework which states that an item meeting the definition of an element should be recognized only if it is probable that any future economic benefits associated with the item will flow to or from the entity, and it can be measured reliably.

Question 3 – Indefinite useful life

The Exposure Draft proposes to remove from IAS 38 the rebuttable presumption that an intangible asset's useful life cannot exceed twenty years, and to require its useful life to be regarded as indefinite when, based on an analysis of all of the relevant factors, there is no foreseeable limit on the period of time over which the asset is expected to generate net cash inflows for the entity (see proposed paragraphs 85-88 and paragraphs B29-B32 of the Basis for Conclusions).
Is this appropriate? If not, under what circumstances, if any, should an intangible asset be regarded as having an indefinite useful life?

The IASRC believes that the proposal is appropriate. If it is possible for management to have the intent and the ability to maintain an intangible asset in such a way that there is no foreseeable limit on the period over which that particular asset is expected to generate net cash inflows for the entity, the intangible asset should be regarded as having an indefinite useful life.

But the IASRC does not ignore the following minority opinion:

The proposed standard should provide a limit on circumstances in which an indefinite useful life is appropriate. Most intangible assets should be amortized over the earliest period because intangibles assets are by nature based on various assumptions that could change frequently and can not be easily traced. Amortizing intangible assets could reduce uncertainty in accounting.

Question 4 – Useful life of intangible asset arising from contractual or other legal rights

The Exposure Draft proposes that if an intangible asset arises from contractual or other legal rights that are conveyed for a limited term that can be renewed, the useful life shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost (see proposed paragraphs 91 and 92 and paragraphs B33-B35 of the Basis for Conclusions).

Is this an appropriate basis for determining the useful life of an intangible asset arising from contractual or other legal rights that are conveyed for a limited term that can be renewed? If not, under what circumstances should the useful life include the renewal period(s)?

Principally, the IASRC agrees with the proposal. However the IASRC suggests that only if there is evidence to support renewal by the entity "*with little cost*" rather than "*without significant cost*", the useful life of the intangible asset should include the renewal periods.

Question 5 – Non-amortisation of intangible assets with indefinite useful lives

The Exposure Draft proposes that an intangible asset with an indefinite useful life should not be amortised (see proposed paragraphs 103 and 104 and paragraphs B36-B38 of the Basis for Conclusions).

Is this appropriate? If not, how should such assets be accounted for after their initial recognition?

The IASRC agrees that an intangible asset with an indefinite useful life should not be amortised, except for the following minority opinion:

Even intangible assets with indefinite useful lives should be amortized over time. Impairment test requires many assumptions that also can not be assured easily. Therefore it should be encouraged to reduce the carrying amount of an intangible asset with an indefinite useful life quickly.