

International Accounting Standards Board (IASB)  
30 Cannon Street  
London  
United Kingdom

14 December 2009

Contact Muhammad Ali

Dear IFRIC members,

### **Tentative Agenda Decision-Amortization method**

I am pleased to respond to the above tentative agenda decision as published in the IFRIC update of November 2009.

The IFRIC was asked to provide guidance on the meaning of ‘consumption of economic benefits’ when determining the appropriate amortization method for an intangible asset with finite useful life.

The IFRIC considers that selection / determination of particular amortization method requires an exercise of judgment and decline to take it on to its agenda as any guidance it could provide would be in nature of application guidance rather than an interpretation.

I agree with IFRIC decision not to take it on to its agenda for the reason mentioned there in. However, based on my observation of the meeting, I tend to agree with one of IFRIC member’s suggestion that IFRIC should either take it on to its agenda / at least provide elaboration in its tentative agenda decision as to whether in case of licence an entity should / should not consider the underlying item when selecting / determining an appropriate amortization method. As I believe that current text of tentative agenda decision does not capture the issue highlighted by the said IFRIC member. As with licence diversity in selection / determination of appropriate amortization method exist as some consider that economic benefit of the licence relates to an entity’s ability to benefit from the use of licence itself hence should be time based [there basis is that paragraph 98 restrict to the future economic benefit embodied in the assets it self so doesn’t allow a look through approach in selection / determination of amortization method] while other consider that an entity should look through to the underlying item in order to select / determine an appropriate method of amortization as entity derives economic benefit embodied in the underlying item rather consuming licence benefit on a time basis, so I consider that IFRIC should in its tentative agenda decision provide its reflection of the issue highlighted to help in selection / determination of appropriate amortization method not least for licence.

If you have any questions concerning my comments, please don’t hesitate to contact me.

Yours sincerely,  
Muhammad Ali