



Ms Anne McGeachin  
Project Manager  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH

By mail and email to [CommentLetters@iasb.org.uk](mailto:CommentLetters@iasb.org.uk)

31 October 2003

Dear Ms McGeachin,

**Re. ED 4 Disposal of Non-current Assets and Presentation of Discontinued Operations**

The International Valuation Standards Committee is pleased to comment on the above Exposure Draft.

**Question 1 – Classification of non-current assets held for sale**

We agree that the separate classification of non-current assets held for sale does enable additional information to be provided to users, and agree with the classification being made.

**Question 2 – Measurement of non-current assets classified as held for sale**

We do not agree that the proposed measurement basis is appropriate for non-current assets classified as held for sale. The IVSC considers that such assets should be measured at Fair Value less costs to sell, without any reference to the carrying amount, as that would give a more realistic reflection of the likely proceeds.

**Question 3 – Disposal groups**

The IVSC has no comment.

**Question 4 – Newly Acquired Assets**

We agree that measurement at fair value less costs to sell on initial recognition is appropriate.

**Question 5 – Revalued Assets**

We agree that this is appropriate except that revaluation appears to write down or to write up to the limit of the cumulative impairment loss only, rather than revaluing to Fair Value the original carrying amount if appropriate.

**Questions 6 - 9**

The IVSC has no comment on questions 6 – 9.

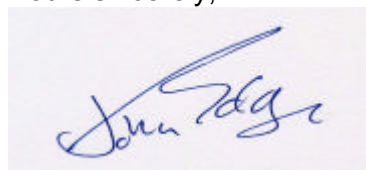
cont./.....

**Additional comments:**

1. We note that the impairment of long-lived assets to be held and used is an area where there are extensive differences between IFRSs and US GAAP, and that those differences are not thought capable of resolution in the relatively short time.
2. We note in ED4 the intention to replace "net selling price" with "fair value less costs to sell". This seems to us to imply that the concept of "net selling price" as an exit cost is being replaced by "Fair Value" which we had understood to encompass, under IFRS, a broader definition than just exit cost. (However, we do not necessarily disagree with your proposal).
3. We note, under BC 58, the SFAS 144 definition of Fair Value and agree that it matches closely with the IASB definition of net selling price, but question whether the SFAS Fair Value definition matches also the IASB definition of Fair Value.
4. Under BC 22, penultimate sentence, it is stated "However, Value in Use will differ from Fair Value less costs to sell only to the extent of the net cash flows expected to arise before the sale". We are unclear as to whether that is a general statement (implying that Value in Use and Fair Value less costs to sell, and indeed exit cost, taking BC 58 as equating the last two, are all substantially the same) or whether that statement is a conclusion drawn from Paragraph BC 22 only.
5. We understand that the issue of impairment of assets held for use is being addressed in the IASB research project on measurement being led by the Canadian Accounting Standards Board. The IVSC is in contact with that Board's project team on this issue in order to contribute our views.
6. The IVSC continues to be concerned that the accounting concept required in respect of IAS 16 Property, Plant and Equipment remains unclear in respect of real estate assets of owner-occupiers and, until that is clarified, the uniform application of one valuation basis only may not be achieved. The main differences in current valuation practice range from the assumption of an empty property (Exit Cost) to the assumption that the owner's occupation of the property provides some added value-in-possession value, although the basis for pricing that added value is unclear.

We thank you for the opportunity to provide our comments. The IVSC would be very happy to meet with should you wish to discuss any aspects of our response in greater detail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "John Edge", is written over a light blue rectangular background.

**John Edge**  
**Chairman, International Valuation Standards Committee**