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

4 November 2003

Dear Anne

ED 4 'Disposal of Non-current Assets and Presentation of Discontinued Operations'

With a membership in excess of 37,000, the London Society of Chartered Accountants (LSCA) is the largest of the regional bodies which form the Institute of Chartered Accountants in England & Wales. London members, like those of the Institute as a whole, work in professional services practice or in business. The London Society operates a wide range of specialist committees including Technical (accounting and auditing), Tax, Regulation and Ethics Review and Financial Services and Insolvency, which scrutinise consultation papers and make representations to issuing bodies.

Our Technical Committee has considered the proposals in ED 4 in consultation with our colleagues at the UK Institute of Chartered Accountants in England and Wales (ICAEW). The ICAEW has submitted a response to the IASB and our committee supports that response (except for the points raised at the end of this letter). We wish to make it clear, however, that we do so only after a full discussion of the technical issues: although it is our policy to support the ICAEW's view on technical issues where we agree with them, this is not always the case and we often submit a separate response.

As well as the points below, we would like to reinforce the concern expressed by the ICAEW about a possible return to "after-tax net reporting", which this draft standard, combined with possible developments in reporting comprehensive income, may herald. Performance reporting in the UK has improved considerably in the UK over the last 10 years in no small part due to the removal of the so-called 'extraordinary items' category which was subject to considerable abuse. We would be extremely concerned about its return, particularly where management has the option of reclassifying items from such a category back into continuing operations.

We apologise for the fact that our response is slightly late and hope that you will still be able to consider our comments. If you would like to discuss anything in this response, please contact me at the above address, or call Kathryn Cearns, its author, on 020 7466 2686.

Yours sincerely

Margaret Cassidy
Chairman, LSCA Technical Committee

POINTS OF DISAGREEMENT WITH THE ICAEW AND ADDITIONAL POINTS

Question 5 – Revalued Assets

We agree with our ICAEW colleagues on this point. However, we would go further in that we are not satisfied with the inconsistent treatment of costs to sell for assets held at historical cost and those held at revalued amount. As the draft stands, selling costs for an asset held at historical cost will not be recognised as an expense/liability if the fair value less selling costs is higher than the historical cost; whereas for a revalued asset a loss must be recognised immediately in the income statement for a revalued asset where the current carrying value is the same as the current fair value. This 'flip' between entry and exit values creates inconsistent accounting. We believe that the effect on earnings should be consistent in both cases and therefore that the selling costs in such circumstances should be taken to equity for revalued assets.

Question 6 – Removal of the Exemption from Consolidation for Subsidiaries Acquired and Held Exclusively with a View to Resale

We do not agree with the removal of the exemption from consolidation for subsidiaries acquired exclusively with a view to resale.

An example where removal of the exemption would be inappropriate follows. Say a disposal group has just been acquired as part of a larger group and is to be sold, perhaps to meet a regulatory requirement. The disposal group should be measured at fair value in terms of acquisition accounting. The clearer presentation in these circumstances is for the carrying value to be included as a single item in the balance sheet. It is doubtful whether requiring temporary consolidation, with additional disclosure requirements, provides better information to users of the accounts.

Appendix B

This appendix is very short and we cannot see why its contents were not simply included within the main body of the standard. Given the possible confusion arising in readers as to whether appendices are integral parts of the standard or not, we encourage the IASB to put such material in appendix only when absolutely necessary.

In addition, in paragraph B1 we suggest that (c) is unnecessary as it is covered by (e). Some of the drafting may also need to be reconsidered as at the moment this could be read to imply that all these criteria have to take place in the period in question, whereas some could have occurred in prior periods.