

**Institut Akauntan Malaysia**

(Diperbadankan di bawah Akta Akauntan 1967)

**Malaysian Institute of Accountants**

(Established under the Accountants Act 1967)

16 August 1997

The Secretary General  
International Accounting Standards Committee  
167 Fleet Street  
London EC4A 2ES  
United Kingdom

Dear Sir,

**IMPAIRMENT OF ASSETS**

Our comments are as follows:-

- Q1. We concur with the Board's approach i.e that recoverable amount should be the higher of net selling price or the value in use. Considering only fair value would not reflect the manner in which these assets (within the scope of the standard) are being used by the enterprises.

The manner in which these assets are being used is such that the potential to contribute to the flow of cash and cash equivalents to the enterprise, is a 'productive one that is part of the operating activities of the enterprise' (Frame work). This manner is unlike that in which financial assets (within the scope of discussion paper - 'Accounting for Financial Assets and Financial Liabilities') are being used.

The potential in financial assets takes the form of 'convertibility into cash or cash equivalent' (Frame work). Therefore, it also follows that different measurement bases for non-financial assets and for financial assets is justified.

However, we do not agree on the argument (Basis of conclusion paragraph 16(d)) that there is a possibility that impairment losses could be volatile if recoverable amount were based on fair value determined by reference to market prices. This argument would apply against the approach advocated by the Board. For instance consider the case where fair value is always higher than the value in use but lower than the carrying amount.

- Q2. Present value techniques should be used to measure the recoverable amount of an asset. It is consistent with the view that decision made on an asset i.e. whether to keep or dispose the asset is essentially an investment decision. Similarly at the time of initial acquisition similar decision making process would have taken place and again it would be an investment decision.

**Institut Akauntan Malaysia**  
(Malaysian Institute of Accountants)

- Q3. The approach adopted in the Exposure Draft is as applicable to both types of assets in question.
- Q4. Yes, Paragraph 49 should state specific exclusion of certain assets especially inventories.
- Q8. Yes
- Q9. Yes
- Q10. Merits another standard for discounting. Value in use of cash-generating unit will be the cash in flow of the cash generating unit as a whole and that is for a certain period, while the carrying amount of the cash-generating unit comprises of carrying amount of a number of assets, each has most probably different useful lives.
- Q11. Yes
- Q12. Yes
- Q13. Yes
- Q14. Yes
- Q15. Disclosure in paragraphs 79 - 81 of the Exposure Draft is sufficient. Disclosure of amount of impairment losses that can be reversed in subsequent periods is unnecessary. The assumptions on which judgement regarding the possibility of reversal of the impairment losses are subjective. If this disclosure requirement is included, additional guidance is needed.
- Q16. In the case where the recoverable amount is based on the value in use, we agree on the arguments that disclosures stated in question 16 (c) - (d) are necessary. They are not for the purpose of verification of management judgement, but rather for users in analysing the performance of the company and in predicting future performance to explore various departures from the assumptions. The proposed information cannot be prejudicial to companies as, except for the discount rate (s) used, the information is based on publicly available sources.
- Q17. Comments are similar to that in response to question 16.
- Q18. Yes
- Q19. Yes
- Q20. No

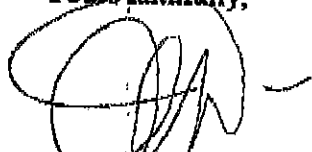
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Q21. Perhaps an example which illustrates assets that are and are not included as part of a cash generating unit.

Q22. Yes

Q23. To be consistent in the use of the term 'fair value' with other standards, 'net selling price' would be better stated as 'net fair value'.

Yours faithfully,



**LEE LOK SOON**  
Director - Operations  
Technical Department