



GENERALE

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

Brussels, August 11, 1997

Re: Comments on E 55 - Impairment of Assets

Dear Sir,

In reply to your request we are pleased to give you hereafter our answers on the questions raised by the IASC Board. Before that we would like to make some general comments on the above mentioned Exposure Draft to clarify some of our answers.

We regret that the Board has rejected the "permanent criterion" (§ 60-61 of Basis for Conclusions). The recognition of an impairment loss related to a fixed asset is an exceptional item. If the future standard does not retain for the impairment (and his reversal) of fixed assets, the retarding permanent criterion, we fear the fixed assets will have to be treated in the same way than current assets. As the exposure draft E 55 specifies that a net selling price should be determined by reference to an arm's length transaction between willing parties, *but it ignores that this transaction should take place in a going-concern scenario*, we have the impression that at each closing date all the assets, fixed as well as current, have to be shown at a liquidation value.

Our answers are the following :

1. We support option (a).
2. We agree.

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3. No, the recoverable value of an asset held for disposal is its net selling price and should only be measured in this way.
4. No, we refer to our comments above; the "permanent criterion" should be applied as well for recognising an impairment loss as for a reversal.
5. We agree.
6. No, it is too restrictive to limit the possibility to reverse an impairment loss recognised for goodwill and other intangible assets for which no active market exists to a reversal of the same external event that caused the recognition. We recommend that if a new event takes place, having the same effect on the economic situation as the reversal of the event that caused the impairment loss would have, reversal of the former impairment shall be allowed.
7. We agree.
8. We agree to a) and b).
9. We agree to a) and b), but recommend to add that a going-concern is assumed.
10. We agree to a), b) and c).
11. We agree.
12. We would appreciate if the guidance would also deal with subsidised loans and/or tax reductions granted by a government. Should these advantages (granted for a whole factory) be allocated to the cash-generating unit i.e. included partially in the cash flow calculations ?
13. The same remark is applicable to the measure of an impairment if there exists goodwill or other corporate assets that relate to a cash-generating unit. We can imagine that a goodwill existing on an under-performing subsidiary is to be considered as an impaired asset and, as a consequence, a capital loss should be charged to the total results. But we do not see why the "head office" should be impaired because a subsidiary - one among a great number - is losing money.

./.. continuation 2 of our letter of 11.08.97 to IASC

14. It seems us that the allocation of impairment losses of a cash-generating unit between the assets of that unit is clearly arbitrary. Why should the preparers of the accounts not have the possibility to allocate the losses to the weakest assets ?
15. We agree.
16. We agree. However, we consider excessive the disclosure requirements of § 82 c and 82 d; they should be cancelled. In our group, with perhaps two or three thousands cash-generating units, we cannot imagine we should fill the notes with all these details.
17. We disagree strongly with the disclosure requirements of § 83 : they are excessive, unpractical and too costly to provide.
18. No. See answer to question 17.
19. We agree.
20. No.
21. We will suggest to give more explanations (included in the future standard instead of in an appendix) about the treatment of value in use for cash-generating units, if the concept is maintained.
22. We agree.
23. No.

Hoping our comments were helpful, we remain

Yours sincerely,



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