



The Security Analysts Association of Japan

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Sir Bryan Carsberg
Secretary-General
International Accounting
Standards Committee
167 Fleet Street
London, EC4A 2ES
U.K.

Dear Sir Bryan,

Comments on IAS Exposure Draft E55

We are pleased to present SAAJ's comments on IAS Exposure Draft E55, "Impairment of Assets". We apologize for being late for the deadline.

Yours sincerely,

A handwritten signature in blue ink, which appears to read 'N. Kemmochi'. The signature is fluid and cursive, with a large 'N' and a long, sweeping underline.

Nobuaki Kemmochi
Managing Director

cc: Ms. Patricia D. McQueen, AIMR

Comments on IASC Exposure Draft E55 – Impairment of Assets

The Security Analysts Association of Japan

- (1) The Security Analysts Association of Japan is agreeable to establishing an International Accounting Standard on Impairment of Assets as it is very useful in enhancing comparability in financial statements.
- (2) We agree with the proposals made in the questions specifically presented in this Exposure Draft by the Board of the IASC except for the following comments on questions 1, 10, 16 and 17.

With respect to question 23, we do not have any other specific comments.

- (3) Our specific comments on questions 1, 10, 16 and 17 are as follows:

- (a) Question 1: We support the approach (a). In that case, we believe that substantial disclosure is essential to minimize an enterprise's attempt to measure the value in use of an asset at its discretion. In this connection, some of us have a firm opinion that, even if the approach (a) is adopted for recognition of an impairment loss, measurement of it should still be based on the fair value of the impaired asset.

Reason for supporting the approach (a) : In many cases, assets used by enterprises are not traded in active markets, and the objective market prices of those assets that their fair value would be primarily based on are rarely available. In these cases, the two approaches presented in this question would likely to lead to the same or similar conclusion. The approach (b), however, would cause such a problem that when applying it to an asset whose fair value is less than its carrying amount, an impairment loss would be recognized for such asset, even if its value in use is higher than its carrying amount.

- (b) Question 10: We agree with the proposals made in this question and in order to minimize an enterprise's discretionary measurement of the value in use of an asset, the discount rate used should be disclosed (see (c) below).
- (c) Question 16: Our basic standpoint regarding this issue is similar to that discussed in paragraph 94 of "Appendix 3: Basis for Conclusions", and accordingly we are of opinion that an enterprise should be required to disclose the information (a) through (d) listed in this question. In particular, we consider the information (c) (i) "the discount rate(s) used in the calculation" as indispensable one.
- (d) Question 17: From our basic standpoint described in (c) above, we believe that an enterprise should be required to disclose the information (c) presented in this question.