

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

Unser Zeichen	FF/KA, Irène Heimann
Zuständig/Durchwahl	+41 31 999 45 62
Telefax	+41 31 999 24 54
Ihr Zeichen	
Ort/Datum	Berne, August 12, 1997

Exposure Draft "Impairment of assets"

Dear Sirs

We have read with interest the Exposure Draft "Impairment of assets" and have the following comments to make.

General

Overall we agree with the measurement and recognition principles of this Exposure Draft and with the measurement of the recoverable amount on the basis of the higher of its selling price and value in use. However, we have some concerns about the complexity of this draft and we also consider that many disclosure requirements are excessive.

In particular, we consider that the draft should not give too detailed guidance about the determination of the value in use because the companies know how to do the discounted cash flow calculation. Furthermore we think that this draft should not prevent companies to use pragmatic ways to allocate the impairment loss to the components of a cash generating unit.

Specific questions

1. We agree the approach that the recoverable amount of an asset is measured as the higher of its net selling price and its value in use.
2. We agree that the present value techniques should be used to measure the recoverable amount of an asset.

3. In our opinion the definition of the recoverable amount should include both assets held for disposal and held for continuing use.
4. We agree that an impairment loss should be recognized for an asset whenever the recoverable amount is lower than its carrying amount. We agree as well that an impairment loss should be recognized only if the cash-generating unit to which the asset belongs is impaired.
5. The reversal of impairment losses is a controversial issue where merits can be found in favor or against the reversal. We nevertheless share the concerns of the opponents to the reversal on grounds of abuses and "smoothing behavior practices" but we have to acknowledge that prohibiting the reversal is probably too extreme and that there may be rare circumstances where an impairment loss has to be reversed.

We think that the principle of prudence should also be taken into consideration. This is particularly important in case of increasing the value of an asset. Therefore the decision should be left up to the companies.

6. We agree to the more restrictive criteria for the reversal of impairment loss recognized for goodwill and other intangible assets.
7. We agree that the Standard should apply to all assets except those listed in § 1.
8. a) We agree that the recoverable amount of an asset should be estimated only if there is an indication that the assets are impaired.
8. b) We agree with list of indicators.
9. a) We agree.
b) We agree with the definition of the costs of disposal.
10. a) We agree with the basis for estimates of future cash flows but we think that the guidance is generally too detailed. We believe that it is too exaggerated to require budget/financial forecasts that are "formally approved by the management with an appropriate degree of authority". The level of approval should be the decision which the company should take and not the IAS-Standard.
b) We agree with the composition of the estimates of future cash flows.
c) We agree in general with the determination of the discount rate. But we are totally not in agreement with the provision that the discount rate should be independent from the way in which the company finances the asset. The determination of the provision implies that the asset is financed by equity which is not necessarily the case.

11. We agree.
12. We agree.
13. We agree but one should be careful because in practice when goodwill or intangibles are involved a great number of impairment losses will probably be recognized on the basis of the top down test. This is inherent due to the fact that it is very difficult to find reasonable and consistent bases to allocate goodwill and intangibles to a specified cash-generating unit.
14. We agree that an impairment loss should be allocated in priority to the assets that have the most subjective values.
We do not agree with the procedure defined in § 62 and 65 because they are based on questionable assumptions.

When the recoverable amount is determined on the basis of the value in use it seems to us not logical in going concern concept environment to reduce the value if certain assets on the basis of the net selling price and the value of others to zero.

We recommend that the impairment loss be allocated as follows:

- 1) to goodwill
 - 2) to intangible assets
 - 3) to other assets on a pro rate basis if the impairment loss is determined on the basis of the value in use. If the impairment loss is determined on the basis of the net selling price and if the net selling price of some assets can be identified separately, then the value of these assets should not be reduced below their selling price.
15. In general we agree with the disclosure requirements. We do not agree to disclose movements of impaired assets and to show the impairment losses by business segments. In both cases we support the Board's arguments.
 16. We partly agree with the disclosure requirements of § 82.
 - a) We agree
 - b) We agree
 - c) We disagree; we think that the disclosure of the basis for the determination of the recoverable amount as well as that of projection periods, extrapolation of short-term projection are too exaggerated.
 17. We disagree with the requirement stated in §83 because the competitors are the primary users of these information about the assets that had been tested for impairment and for which no impairment has been recognized.
 18. We disagree with the requirements stated in §85. In our opinion this paragraph is a mixture of measurements and disclosure requirements.

19. We agree.

20. We think that there are no further disclosure requirements necessary.

21. In our opinion no material should be amended in appendix 1, because these examples are very helpful for the whole understanding although they do not reflect real cases. The Standard should keep in mind the complexity of the real business life for those who should apply this Standard.

22. We agree.

23. We do not have any further comments.

We hope that our remarks are a small contribution towards the successful finalization of this important second part of the financial instruments standard.

Yours faithfully
Ascom AG

A handwritten signature in black ink, appearing to be 'A. Sutter', with a long horizontal stroke extending to the right.

A. Sutter
Finance

A handwritten signature in blue ink, appearing to be 'I. Heimann', with a stylized, flowing script.

I. Heimann
Corporate Auditing