



SOLVAY

DIRECTION CENTRALE FINANCES - CORPORATE PLANNING

DCFi/CP-CC/MSB:ibt
N° 97.690

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

Brussels, 7 July 1997

Dear Sirs,

Reference : EXPOSURE DRAFT E55 - IMPAIRMENT OF ASSETS

Please find attached the comments of SOLVAY SA to the 23 questions in Exposure Draft E55 (Impairment of assets).

Sincerely yours

Paul Lombart

Impairment of assets (Exposure Draft E55)

Answers to the questions

Question 1

We support approach (a) because a market value does not necessarily reflect the service potential of an asset. Therefore, the recoverable amount should not be based on the net selling price only.

Question 2

Yes, because the time value of money is an important factor that should not be disregarded.

Question 3

Yes, because the value in use of an asset held for disposal will be close to the net selling price (future cash flows close to nil).

Question 4

We agree with both (a) and (b).

Question 5

Yes. Any amount that exceeds the depreciated historical cost should be treated as a revaluation of asset.

Question 6

Yes, to avoid possible recognition of internally generated goodwill, provided that no new circumstances justify to maintain the impairment loss

Question 7

Yes.

Question 8

Yes to (a) and (b).

Question 9a

Yes, one should not be limited to the cases where an active market exists.

Question 9b

Yes. It is logical to deduct the costs directly attributable to the disposal of the asset.

Question 10

Yes to (a),(b), and (c)

Questions 11-14

We agree with questions 11 through 14. However, we would like to stress the following point: in the cases where a cash-generating unit is identical to the business taken as a whole, future estimated cash-flows will include an estimate of future gains and losses for the business. These future gains and losses will be reflected in the current profit and loss statement through an impairment of asset. This is not acceptable.

Questions 15 and 16

We agree with questions 15 and 16.

Question 17

We disagree with question 17. If no impairment loss was recognized or reversed during the period for an asset, we strongly believe there is no need for any disclosure.

Question 19

We agree.

Question 20

No. We think disclosures should be kept to a minimum acceptable so as to avoid increasing the administrative burden of preparing a voluminous documentation.

Questions 21 and 22

We agree with appendices 1 and 2 as proposed.

Question 23

No further comments.

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