

**Mr. Hans Hoogervorst**  
**IASB**  
**Cannon Street 30**  
**London EC4M 6XH**  
**United Kingdom**

## **The IASB's Exposure Draft *Recoverable Amount Disclosures for Non-Financial Assets***

Dear Mr Hoogervorst,

*BESTE HANS,*

The European Securities and Markets Authority (ESMA) thanks you for this opportunity to contribute to the IASB's due process. We are pleased to provide you with the following comments aimed at improving the decision-usefulness of financial statements and the transparency and enforceability of IFRSs.

ESMA has considered the IASB's Exposure Draft (ED) *Recoverable Amount Disclosures for Non-Financial Assets*. ESMA agrees with the proposed amendments to paragraph 130 and 134 of IAS 36 – *Impairment of Assets* and the proposed retrospective application. We however believe that the proposal to delete the recoverable amount of the unit (or group of units) would take away important decision-useful information for investors. We think that both the carrying and recoverable amount of the units should be disclosed.

ESMA acknowledges that the IASB clarified in IAS 36 paragraph BC 209(b) why it did not proceed with the proposal to require an entity to disclose the amount by which the recoverable amount exceeds the carrying amount of the cash-generating unit(s) (headroom). However, from ESMA's report on *European enforcers' view of impairment of goodwill and other intangible assets in the IFRS financial statements*<sup>1</sup> published in January 2013, it appeared that the sensitivity analysis was not disclosed in cases where the market capitalisation of the issuer was below the book value of the equity. The disclosures on sensitivity analyses required by IAS 36 rely on management judgement whether a reasonable change in the key assumptions would cause the cash-generating unit(s) carrying amount to exceed its recoverable amount.

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<sup>1</sup> <http://www.esma.europa.eu/system/files/2013-02.pdf>

Against this background, ESMA believes that the rationale explained in IAS 36 paragraph BC 209(b) should be revisited and, as a consequence, ESMA believes the IASB should retain the current requirement in IAS 36 paragraph 134 (c) to disclose the recoverable amount of the cash-generating unit(s).

Furthermore, in order to achieve consistent application we would like to encourage the IASB to consider whether disclosures on sensitivity analyses (required by IAS 36 paragraphs 136(f)(i)-(iii)) should be required in all circumstances and not only when management considers that a reasonably possible change in a key assumption would lead to recognition of an impairment loss.

Please do not hesitate to contact us should you wish to discuss any of the issues we have raised.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "S. Maijoor".

Steven Maijoor  
Chair

European Securities and Markets Authority

A handwritten signature in black ink, appearing to be "Julie Galbo".

Julie Galbo  
Chair

Corporate Reporting Standing Committee  
European Securities and Markets Authority