CIMA

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International Accounting Standards Board
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Cc Janie Crichton, Accounting Standards Board

Dear Ms Kimmitt

ED 3 BUSINESS COMBINATIONS

Thank you for the opportunity for the Chartered Institute of Management Accountants to comment on this new standard. The Chartered Institute of Management Accountants (CIMA) is a global professional body specialising in management accounting. CIMA represents over 77,000 students and 59,000 members in 154 countries.

The responses to your specific questions are attached below. There are also general points that we think it important to make.

The proposed new standard represents phase one of a two-phase project. Until the second phase is complete, and the resulting proposals are exposed for comment, it is difficult to pass final judgement on this standard. We urge the Board to complete its work on the second phase as rapidly as possible, to enable a rounded view to be taken.

The proposed new standard and its concomitant changes to IAS36 and IAS38 seem to be based on the assumption that these provisions will apply to some few companies, who occasionally make a small number of acquisitions. However, there are many companies who make a lot of acquisitions every year. For these companies, the impairment testing requirements, which apply per transaction, will be very onerous.

Impairment testing is unattractive to companies for two main reasons. Firstly it involves a lot of work for little benefit. Essentially it tests whether a decision taken several years ago was a good idea. Even when that question is resolved, it is not clear that there is a useful impact on current behaviour. Secondly it is inherently subjective. A company that thinks it knows what will happen next year is probably mistaken. Working on figures five years ahead is deriving hard numbers from fictional ones, and there are similar question marks over choosing appropriate discount rates.

Continued/

We would recommend keeping the impairment tests as simple, general and aggregated as possible, designed to pick up obvious cases of impairment without wasting time on obviously healthy investments.

Our response has also been sent by letter, as requested, and copied to the ASB.

Yours sincerely

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ED 3 BUSINESS COMBINATIONS

ED3/Q1 Scope

The Exposure Draft proposes:

(a) to exclude from the scope of the IFRS business combinations in which separate entities or operations of entities are brought together to form a joint venture, and business combinations involving entities under common control (see proposed paragraphs 2 and 3 and paragraphs BC9-BC11 of the Basis for Conclusions).

Are these scope exclusions appropriate? If not, why not?

CIMA consider that the scope exclusions for Phase I seem appropriate, as they provide that acquisition accounting should not apply to joint ventures and business reorganisations. Acquisition accounting is not appropriate in either of those cases, because it forces the characterisation of one party as the acquirer.

(b) to include in the IFRS a definition of business combinations involving entities under common control, and additional guidance on identifying such transactions (see proposed paragraphs 9-12 and Appendix A, and paragraphs BC12-BC15 of the Basis for Conclusions).

Are the definition and additional guidance helpful in identifying transactions within the scope exclusion? If not, what additional guidance would you suggest, and why?

Definitions and guidance to help users identify transactions which lie outside the scope of the IFRS are always welcome.

ED3/Q2 Method of accounting for business combinations

The Exposure Draft proposes to eliminate the pooling of interests method and require all business combinations within its scope to be accounted for by applying the purchase method (see proposed paragraphs 13-15 and paragraphs BC18-BC35 of the Basis for Conclusions).

Is this appropriate? If not, why not? If you believe the pooling of interests method should be applied to a particular class of transactions, what criteria should be used to distinguish those transactions from other business combinations, and why?

CIMA can accept the prohibition of merger accounting. Although combinations which constitute genuine instances of pooling do arise, there are good anti-abuse reasons why this method of accounting should be disallowed. However, it is stretching the case to say that acquisition accounting covers all types of combination. Fresh start accounting may represent the best solution to accounting for mergers, but as Phase I did not include proposals for fresh start accounting, CIMA cannot comment on whether collectively both methodologies will cater appropriately for the full range of business combinations which will arise in practice. CIMA consider it a matter of urgency that the proposals for fresh start accounting be developed and opened for consultation, and would strongly recommend that this issue be settled in Phase II of the project.

In many jurisdictions, such as the UK, entities in the not-for-profit sector will be expected to follow IFRSs, although they are not listed companies. Accounting for the combinations of such entities as acquisitions is conceptually problematic since there is often no element of “consideration” in the transaction. Examples might include hospitals or educational institutions. CIMA would welcome IASB proposals on how combinations of such entities might be catered for.

ED3/Q3 Reverse acquisitions

Under IAS 22 Business Combinations, a business combination is accounted for as a reverse acquisition when an entity (the legal parent) obtains ownership of the equity of another entity (the legal subsidiary) but, as part of the exchange transaction, issues enough voting equity as consideration for control of the combined entity to pass to the owners of the legal subsidiary. In such circumstances, the legal subsidiary is deemed to be the acquirer. The Exposure Draft:

(a) proposes to modify the circumstances in which a business combination could be regarded as a reverse acquisition by clarifying that for all business combinations effected through an exchange of equity interests, the acquirer is the combining entity that has the power to govern the financial and operating policies of the other entity (or entities) so as to obtain benefits from its (or their) activities. As a result, a reverse acquisition occurs when the legal subsidiary has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities (see proposed paragraph 21 and paragraphs BC37-BC41 of the Basis for Conclusions).

Is this an appropriate description of the circumstances in which a business combination should be accounted for as a reverse acquisition? If not, under what circumstances, if any, should a business combination be accounted for as a reverse acquisition?

(b) proposes additional guidance on the accounting for reverse acquisitions (see proposed paragraphs B1-B14 of Appendix B).

Is this additional guidance appropriate? If not, why not? Should any additional guidance be included? If so, what specific guidance should be added?

CIMA agree with the proposed clarification, and with the additional guidance proposed in Appendix B.

ED3/Q4 Identifying the acquirer when a new entity is formed to effect a business combination

The Exposure Draft proposes that when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination should be adjudged the acquirer on the evidence available (see proposed paragraph 22 and paragraphs BC42-BC46 of the Basis for Conclusions).

Is this appropriate? If not, why not?

In a small minority of cases forcing the characterisation of one party as the acquirer is somewhat artificial. However, until the proposals for fresh start accounting are developed, CIMA do not wish to comment further on how these combinations should be accounted for.

ED3/Q5 Provisions for terminating or reducing the activities of the acquiree

Under IAS 22, an acquirer must recognise as part of allocating the cost of a business combination a provision for terminating or reducing the activities of the acquiree (a 'restructuring provision') that was not a liability of the acquiree at the acquisition date, provided the acquirer has satisfied specified criteria. The Exposure Draft proposes that an acquirer should recognise a restructuring provision as part of allocating the cost of a business combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see proposed paragraph 40 and paragraphs BC55-BC66 of the Basis for Conclusions).

Is this appropriate? If not, what criteria should an acquirer be required to satisfy to recognise a restructuring provision that was not a liability of the acquiree as part of allocating the cost of a combination, and why?

CIMA are content with the proposal for an acquirer to recognise such a provision only if it already exists as a contingent liability from the acquiree's perspective at the time of acquisition. While not strictly correct it is an acceptable price to pay for avoiding abuse which would inflate future profits artificially.

ED3/Q6 Contingent liabilities

The Exposure Draft proposes that an acquirer should recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably (see proposed paragraphs 36 and 45 and paragraphs BC80-BC85 of the Basis for Conclusions).

Is this appropriate? If not, why not?

CIMA are concerned that the proposed recognition criteria for contingent liabilities in an acquisition appears to differ from the criteria in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In addition, there will always be measurement problems with contingent liabilities, due to the uncertainty. The pragmatic solution of measuring contingent liabilities at expected values results in a gross summarisation of a wide variety of possible outcomes. There are many opportunities for manipulation, and CIMA consider that it will be rare that fair values can truly be measured reliably. For these reasons, CIMA do not support the proposals for the recognition of contingent liabilities in an acquisition, except where they are material in relation to the acquisition price and there is firm evidence supporting the valuation.

Acknowledging that they are rare, CIMA note that the draft IFRSs do not include mention of contingent assets, and hope that these will be considered in Phase II.

ED3/Q7 Measuring the identifiable assets acquired and liabilities and contingent liabilities assumed

IAS 22 includes a benchmark and an allowed alternative treatment for the initial measurement of the identifiable net assets acquired in a business combination, and therefore for the initial measurement of any minority interests. The Exposure Draft proposes requiring the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost to be measured initially by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree will be stated at the minority's proportion of the net fair values of those items. This proposal is consistent with the allowed alternative treatment in IAS 22 (see proposed paragraphs 35 and 39 and paragraphs BC88-BC95 of the Basis for Conclusions).

Is this appropriate? If not, how should the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost of a business combination be measured when there is a minority interest in the acquiree, and why?

CIMA agree with the proposal.

ED3/Q8 Goodwill

The Exposure Draft proposes that goodwill acquired in a business combination should be recognised as an asset and should not be amortised. Instead, it should be accounted for after initial recognition at cost less any accumulated impairment losses (see proposed paragraphs 50-54 and paragraphs BC96-BC108 of the Basis for Conclusions).

Do you agree that goodwill acquired in a business combination should be recognised as an asset? If not, how should it be accounted for initially, and why? Should goodwill be accounted for after initial recognition at cost less any accumulated impairment losses? If not, how should it be accounted for after initial recognition, and why?

CIMA consider that goodwill is not an asset, but agree that it needs to be treated as one. Therefore we have no conceptual problems with the proposals. However, CIMA are concerned about the amount of work created by the requirement for impairment tests on goodwill, which may be extremely onerous for many entities. We would recommend keeping the impairment tests as simple, general and aggregated as possible, designed to pick up obvious cases of impairment without wasting time on obviously healthy investments. This can be achieved by permitting the aggregation of acquisitions and existing businesses into large units, not distinguishing between internally generated and purchased goodwill for the purposes of impairment testing and not being too prescriptive about the process to be used. A 'reality check' comparing the total assets of the business, including goodwill and intangibles, with the market value of the company based on available evidence might help to avoid abuse of these relaxations.

ED3/Q9 Excess over the cost of a business combination of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities

In some business combinations, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost of the combination exceeds that cost. The Exposure Draft proposes that when such an excess exists, the acquirer should:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment. (See proposed paragraphs 55 and 56 and paragraphs BC109-BC120 of the Basis for Conclusions.)

Is this treatment appropriate? If not, how should any such excess be accounted for, and why?

In CIMA's experience, negative goodwill is something that arises very infrequently, and thus we recommend that when negative goodwill appears to arise, the assets and liabilities should be carefully re-examined and re-measured. CIMA would go so far as to propose that the IFRS include a rebuttable presumption that negative goodwill does not exist. In the rare situations where a good case can be made for the existence of negative goodwill, we agree it should be recognised immediately.

ED3/Q10 Completing the initial accounting for a business combination and subsequent adjustments to that accounting

The Exposure Draft proposes that:

(a) if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer should account for the combination using those provisional values. Any adjustment to those values as a result of completing the initial accounting is to be recognised within twelve months of the acquisition date (see proposed paragraphs 60 and 61 and paragraphs BC123-BC126 of the Basis for Conclusions).

Is twelve months from the acquisition date sufficient time for completing the accounting for a business combination? If not, what period would be sufficient, and why?

As a practical matter, the CIMA feel that adjustment should be permitted up to the end of the next reporting period, to avoid duplicating year-end processes

(b) with some exceptions carried forward as an interim measure from IAS 22, adjustments to the initial accounting for a business combination after that accounting is complete should be recognised only to correct an error (see proposed paragraphs 62 and 63 and paragraphs BC127-BC132 of the Basis for Conclusions).

Is this appropriate? If not, under what other circumstances should the initial accounting be amended after it is complete, and why?

CIMA agree that amendments subsequent to the period we specified above, should only be allowed if correcting errors.

REVISIONS TO IAS 36 IMPAIRMENT OF ASSETS

IAS36/Q1 Frequency of impairment tests

Are the proposals relating to the frequency of impairment testing intangible assets with indefinite useful lives and acquired goodwill appropriate (see proposed paragraphs 8 and 8A and paragraphs C6, C7 and C41 of the Basis for Conclusions)? If not, how often should such assets be tested for impairment, and why?

CIMA consider that the IFRS does not need to specify that impairment tests should be carried out at the end of each annual reporting period. Practically, the year-end is a busy time for most entities. Also, CIMA consider that the purpose of IFRS is to specify accounting treatments and disclosures, and to offer guidance and illustration, but not to prescribe at such a level of detail how entities should carry out the resultant operations. Our experience is that the most practical approach is for the entity to carry out the impairment tests at a convenient time of the year, and at the year-end, revisit the results to assess if there have been any changes to the underlying assumptions which would affect the valuations.

CIMA consider that annual impairment tests are an appropriate frequency. In practice entities that have many impairment tests to carry out, agree with their auditors a model which can be used for perhaps five years, and which only requires the periodic re-examination of the model and underlying conditions during the model's life span.

As discussed in the covering letter, CIMA is concerned that the effect of these proposals will be to impose an onerous burden on many entities. Many entities may not have the in-house resource to carry out impairment tests. While CIMA naturally welcomes the potential business opportunity for our members who could offer this service, we would prefer to see this resource expended in a more forward-looking and constructive direction.

IAS36/Q2 Intangible assets with indefinite useful lives

The Exposure Draft proposes that the recoverable amount of an intangible asset with an indefinite useful life should be measured, and impairment losses (and reversals of impairment losses) for such assets accounted for, in accordance with the requirements in IAS 36 for assets other than goodwill (see paragraphs C10-C11 of the Basis for Conclusions).

Is this appropriate? If not, how should the recoverable amount be measured, and impairment losses (and reversals of impairment losses) be accounted for?

CIMA agree the proposals are appropriate. We consider that most intangible assets have an indefinite life, and in most cases, obvious "triggers" which indicate a significant change in value in the asset. We would prefer a model in which the triggers are determine how often impairment tests are undertaken, rather than imposing a requirement to test annually, as we consider this would reduce the amount of unnecessary testing.

IAS36/Q3 Measuring value in use

The Exposure Draft proposes additional guidance on measuring the value in use of an asset. Is this additional guidance appropriate? In particular:

(a) should an asset's value in use reflect the elements listed in proposed paragraph 25A? If not, which elements should be excluded or should any additional elements be included? Also, should an entity be permitted to reflect those elements either as adjustments to the future cash flows or adjustments to the discount rate (see proposed paragraph 26A and paragraphs C66 and C67 of the Basis for Conclusions)? If not, which approach should be required?

(b) should the assumptions on which cash flow projections are based take into account both past actual cash flows and management's past ability to forecast cash flows accurately (see proposed paragraph 27(a)(ii) and paragraphs C66 and C67 of the Basis for Conclusions)? If not, why not?

(c) is the additional guidance in proposed Appendix B to [draft] IAS 36 on using present value techniques in measuring an asset's value in use appropriate? If not, why not? Is it sufficient? If not, what should be added?

CIMA agree with the elements listed in proposed paragraph 25A. We consider however that estimating the value in use of an asset is far from an exact science, as might be suggested by the basis for estimating in proposed paragraphs 27 – 46. Taking into account management's record of the accuracy of its forecasts is a sensible approach. It might also provide additional assurance to auditors that valuations were the product of thoughtful and justifiable conclusions if the forecasts used in the valuations were integrated into management targets.

We also feel that it would be advisable not to mandate the use of external valuers. The resulting costs could impose a severe burden on business, for questionable benefits, and the apparent independence can sometimes be an illusion.

IAS36/Q4 Allocating goodwill to cash-generating units

The Exposure Draft proposes that for the purpose of impairment testing, acquired goodwill should be allocated to one or more cash-generating units.

(a) Should the allocation of goodwill to one or more cash-generating units result in the goodwill being tested for impairment at a level that is consistent with the lowest level at which management monitors the return on the investment in that goodwill, provided such monitoring is conducted at or below the segment level based on an entity's primary reporting format (see proposed paragraphs 73-77 and paragraphs C18-C20 of the Basis for Conclusions)? If not, at what level should the goodwill be tested for impairment, and why?

(b) If an entity disposes of an operation within a cash-generating unit to which goodwill has been allocated, should the goodwill associated with that operation be included in the carrying amount of the operation when determining the gain or loss on disposal (see proposed paragraph 81 and paragraphs C21-C23 of the Basis for Conclusions)? If not, why not? If so, should the amount of the goodwill be measured on the basis of the relative values of the operation disposed of and the portion of the unit retained or on some other basis?

CIMA do not agree with the proposal to test the goodwill at the lowest level consistent with management monitoring. Individual unit's results can sometimes be distorted by decisions taken for the benefit of the group as a whole, for example, transfer pricing. These internal decisions should not drive impairments which would not otherwise exist. In addition, the burden of impairment testing will be reduced if it is carried out at a higher reporting level. CIMA consider that mandating impairment testing at segment level is appropriate, although lower levels can be used if convenient to the accounting entity.

(c) *If an entity reorganises its reporting structure in a manner that changes the composition of one or more cash-generating units to which goodwill has been allocated, should the goodwill be reallocated to the units affected using a relative value approach (see proposed paragraph 82 and paragraphs C24 and C25 of the Basis for Conclusions)? If not, what approach should be used?*

CIMA believes it is appropriate to include goodwill in the carrying value of disposed units on the basis suggested.

IAS36/Q5 Determining whether goodwill is impaired

The Exposure Draft proposes:

(a) *that the recoverable amount of a cash-generating unit to which goodwill has been allocated should be measured as the higher of the unit's value in use and net selling price (see proposed paragraphs 5 (definition of recoverable amount) and 85 and paragraph C17 of the Basis for Conclusions).*

Is this appropriate? If not, how should the recoverable amount of the unit be measured?

(b) *the use of a screening mechanism for identifying potential goodwill impairments, whereby goodwill allocated to a cash-generating unit would be identified as potentially impaired only when the carrying amount of the unit exceeds its recoverable amount (see proposed paragraph 85 and paragraphs C42-C51 of the Basis for Conclusions).*

Is this an appropriate method for identifying potential goodwill impairments? If not, what other method should be used?

(c) *that if an entity identifies goodwill allocated to a cash-generating unit as potentially impaired, the amount of any impairment loss for that goodwill should be measured as the excess of the goodwill's carrying amount over its implied value measured in accordance with proposed paragraph 86 (see proposed paragraphs 85 and 86 and paragraphs C28-C40 of the Basis for Conclusions).*

Is this an appropriate method for measuring impairment losses for goodwill? If not, what method should be used, and why?

CIMA agrees with these three proposals, subject to our recommendation in Q4 that the appropriate segment could be used as the cash generating unit.

IAS36/Q6 Reversals of impairment losses for goodwill

The Exposure Draft proposes that reversals of impairment losses recognised for goodwill should be prohibited (see proposed paragraph 123 and paragraphs C62-C65 of the Basis for Conclusions).

Is this appropriate? If not, what are the circumstances in which reversals of impairment losses for goodwill should be recognised?

CIMA agree that reversals of impairment losses of goodwill should not be allowed, since a reversal seems analogous to the creation of internally generated goodwill. Since internally generated goodwill cannot be recognised, neither should a reversal of an earlier impairment.

IAS36/Q7 Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives

The Exposure Draft proposes requiring a variety of information to be disclosed for each segment, based on an entity's primary reporting format, that includes within its carrying amount goodwill or intangible assets with indefinite useful lives (see proposed paragraph 134 and paragraphs C69-C82 of the Basis for Conclusions).

(a) Should an entity be required to disclose each of the items in proposed paragraph 134? If not, which items should be removed from the disclosure requirements, and why?

(b) Should the information to be disclosed under proposed paragraph 134 be disclosed separately for a cash-generating unit within a segment when one or more of the criteria in proposed paragraph 137 are satisfied? If not, why not?

CIMA consider the list of disclosures in paragraph 134 to be in seriously in excess of what is required. There is a danger of providing too much information to the users of financial statements, which becomes counter-productive. A balance must always be maintained with regard to disclosures, between comprehensiveness and usefulness.

The paragraph attempts to address concerns over the subjectivity of impairment testing by disclosing in detail the process. We suggest that the Board work through with some large companies the sheer volume of paper that would result. It is unlikely that many users will have the time, inclination or expertise to second-guess the company's planning process in this manner. It is better that companies perform this test at an aggregated level, disclose only general details on methodologies and assumptions and rely on auditors and audit committees to challenge unrealistic assumptions and inaccurate methods.

REVISIONS TO IAS 38 INTANGIBLE ASSETS

IAS38/Q1 Identifiability

The Exposure Draft proposes that an asset should be treated as meeting the identifiability criterion in the definition of an intangible asset when it is separable or arises from contractual or other legal rights (see proposed paragraphs 10 and 11 and paragraphs B6-B10 of the Basis for Conclusions).

Are the separability and contractual/other legal rights criteria appropriate for determining whether an asset meets the identifiability criterion in the definition of an intangible asset? If not, what criteria are appropriate, and why?

CIMA agree that the proposed criteria are appropriate for determining whether asset meets the definition of an intangible asset.

IAS38/Q2 Criteria for recognising intangible assets acquired in a business combination separately from goodwill

This Exposure Draft proposes clarifying that for an intangible asset acquired in a business combination, the probability recognition criterion will always be satisfied and, with the exception of an assembled workforce, sufficient information should always exist to measure its fair value reliably (see proposed paragraphs 29-32 and paragraphs B11-B15 of the Basis for Conclusions). Therefore, as proposed in ED 3, an Exposure Draft of a proposed International Financial Reporting Standard Business Combinations, an acquirer should recognise, at the acquisition date and separately from goodwill, all of the acquiree's intangible assets, excluding an assembled workforce, that meet the definition of an intangible asset (see proposed paragraphs 36, 43 and 44 of ED 3).

Do you agree that, with the exception of an assembled workforce, sufficient information can reasonably be expected to exist to measure reliably the fair value of an intangible asset acquired in a *business combination? If not, why not? The Board would appreciate respondents outlining the specific circumstances in which the fair value of an intangible asset acquired in a business combination could not be measured reliably.*

CIMA agree with the presumption that sufficient information will exist to reliably measure the fair value of intangible assets acquired in a business combination.

IAS38/Q3 Indefinite useful life

The Exposure Draft proposes to remove from IAS 38 the rebuttable presumption that an intangible asset's useful life cannot exceed twenty years, and to require its useful life to be regarded as indefinite when, based on an analysis of all of the relevant factors, there is no foreseeable limit on the period of time over which the asset is expected to generate net cash inflows for the entity (see proposed paragraphs 85-88 and paragraphs B29-B32 of the Basis for Conclusions).

Is this appropriate? If not, under what circumstances, if any, should an intangible asset be regarded as having an indefinite useful life?

CIMA agree to the removal of presumption of a twenty-year limit on useful lives for intangible assets. In our experience, a common class of intangible asset is brands, which are often deemed to have an indefinite life.

IAS38/Q4 Useful life of intangible asset arising from contractual or other legal rights

The Exposure Draft proposes that if an intangible asset arises from contractual or other legal rights that are conveyed for a limited term that can be renewed, the useful life shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost (see proposed paragraphs 91 and 92 and paragraphs B33-B35 of the Basis for Conclusions).
Is this an appropriate basis for determining the useful life of an intangible asset arising from contractual or other legal rights that are conveyed for a limited term that can be renewed? If not, under what circumstances should the useful life include the renewal period(s)?

CIMA consider this proposal appropriate.

IAS38/Q5 Non-amortisation of intangible assets with indefinite useful lives

The Exposure Draft proposes that an intangible asset with an indefinite useful life should not be amortised (see proposed paragraphs 103 and 104 and paragraphs B36-B38 of the Basis for Conclusions).

Is this appropriate? If not, how should such assets be accounted for after their initial recognition?

CIMA agree that an intangible with an indefinite useful life should not be amortised, to keep the treatment of other intangibles consistent with that proposed for goodwill. We acknowledge that there may be significant measurability problems with impairment tests, and consider that it is important that the impairment test be robust for these assets.