



The Corporate Reporting Users' Forum

March 22, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Comments on the Exposure Draft

“Clarification of Acceptable Methods of Depreciation and Amortisation”

The Corporate Reporting Users' Forum Japan (CRUF J) welcomes the opportunity to provide comments on the Exposure Draft “Clarification of Acceptable Methods of Depreciation and Amortisation” Proposed amendments to IAS 38. CRUF J was established in Tokyo in December 2009, and has been holding monthly meetings since then. Currently the members count 18, which include buy-side and sell-side equity analysts, credit analysts and portfolio managers.

Question 1

CRUF J agrees with the IASB's proposal.

- ① Units of Production method reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
- ② The Diminishing Balance method which reflects the technical or commercial obsolescence also reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

A method that uses revenue generated from an activity that includes the use of an asset is not necessarily an appropriate depreciation method for the asset. Revenue is the multiple of price

and quantity sold. Prices depend on both macro and micro economic factors. Prices are dependent upon inflation rates. That's a macro factor. They are also dependent upon demand and supply situation of the asset. That's a micro factor. In case price movements are due to change in demand of the asset or change in the inflation rates, they reflect a pattern of the future economic benefits being generated from the asset, rather than a pattern of consumption of the future economic benefits embodied in the asset. We are afraid depreciation method based on revenue would be used for net income smoothing.

Question 2

No additional comments.

We hope our comments will contribute to the forthcoming deliberations in this project.

Yours sincerely,

(Signature)

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