# Accounting Standards Board

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Stephenie Fox,
Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street, 4th Floor,
Toronto, Ontario, M5V 3H2 CANADA

28 July 2009

Dear Stephenie

**Exposure Draft 40 '*Intangible Assets*'**

1. The UK Accounting Standards Board's Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) proposals in Exposure Draft 40 '*Intangible Assets*'. CAPE supports the IPSASB's policy to develop a set of accrual based International Public Sector Accounting Standards that are convergent with IFRSs issued by the International Accounting Standards Board, where appropriate for public sector entities.

2. We agree with IPSASB that, in the absence of any specific public reasons for departure, ED 40 should be a converged standard, ie it should maintain the requirements, structure and text of IAS 38 '*Intangible Assets*'. We also agree with the proposal to exclude the power to grant rights and the power to tax from the scope of the ED and for IPSASB to consider this matter further as part of its Conceptual Framework project.

3. We recognise that IAS 38 does not cover the accounting requirements for intangible assets acquired in an entity combination from a non-exchange transaction and that IPSASB will consider this matter as part of its entity combinations project. As a result, we accept the need for these transactions to be excluded from the scope of the proposed standard.

4. We note the additional public sector guidance that is provided in the Illustrative Examples and the additional examples that are included for applying paragraph 71 on the cost of an internally generated intangible asset and for illustrating the Application Guidance. We consider these modifications and additions to the wording of IAS 38 particularly helpful.

*Transitional provisions*

5. We note that paragraph 140 (b) of the ED is consistent with IAS 38 in requiring prospective application. Whilst we agree with this proposal, we do have concerns about the transitional provisions in paragraph 140 (c) that require the entity to reassess previously recorded and unrecorded intangible items. Although this reassessment relates only to the recognition criteria in paragraph 30 of the ED, it seems to introduce a tougher requirement than exists for IAS 38, particularly where the entity changes its assessment of the existence of an intangible asset and is required to account for this reassessment as a change in accounting policy. The requirement also appears to contradict the prospective application offered by paragraph 140 (b).

6. If you require any further information please contact me or Alan O'Connor (a.oconnor@frc-asb.org.uk or telephone +44 (0)20 7492 2421).

Yours sincerely

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