IVSC

Response to Exposure Draft: Proposed Technical Information Paper 2
Depreciated Replacement Cost

May 31, 2011
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General Observations

Our general observations on the Technical Information Paper ("TIP") are as follows:

- We find this TIP to be at a greater level of detail than preceding technical information papers and we believe that the IVSC is heading in the right direction, even though more can be achieved in this regard.

- We believe that addressing the issue of quantifying economic obsolescence is quite relevant, and doing so through examples is also quite helpful. We believe that many of the issues can be developed further, for example, the economic obsolescence calculation and allocation should be discussed and illustrated when identifiable intangible assets are present (e.g., trade names, technology), which is a commonplace occurrence.

- The issue of valuation premise should be considered in the application of the cost approach – whether reference is made to in-place value or value in exchange for the asset - and how this relates to the bases of value.

- We recommend that more illustrations and examples be provided (for example, the calculation of an entrepreneurial incentive)

- We recommend that guidance be developed for the application of the cost approach to intangible assets as well, possibly in a separate TIP.

- A number of terms have been used throughout the TIP and we believe that they should be reflected in a separate section of the document for ease of reference, as well as in the Glossary which IVSC is compiling.

- Finally, the TIP acknowledges that the DRC method may be used to derive indications of various bases of value. It might be helpful to have a discussion of the elements of the cost approach and some specific adjustments that may need to be considered in arriving at such different bases of value (possibly aligning the discussion with the bases of value discussed in IVS).

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Subject to our comments above we have provided responses to the specific questions posed.
Responses to Specific Questions

Question 1: It is proposed that this Exposure Draft will replace the current GN8 “The Cost Approach for Financial Reporting – (DRC)”. As the name suggests GN8 only covers the use of the cost approach for financial reporting purposes. This exposure draft proposes that a properly applied cost approach can be applied in a wide variety of circumstances.

Do you agree with the argument that the cost approach, if properly applied, can be used as a method to arrive at market value for a variety of purposes other than financial reporting?

Duff & Phelps response: Specific to the question posed, the purpose of the valuation does not dictate the approach to a valuation. There are three generally accepted approaches to valuation: the Cost Approach, Market Approach, and the Income Approach. None of these approaches are geared exclusively to a given purpose. In any valuation, all three approaches should be considered. The extent of their use will be dictated by the facts and circumstances regarding the situation, i.e. the availability of data, the existence of an active market, and the ability to assign discrete sources of income to the particular asset. Hence, the Cost Approach, if properly applied, can be used to arrive at market value for a variety of purposes including fair value for financial reporting. (However, the quantification of any economic obsolescence (required by the Cost Approach) must be ultimately addressed by the Income or Market Approaches at some level).

The Cost Approach is also an appropriate method for estimating the value of newly constructed real property with the caveat that economic obsolescence is not present. The fact that the construction is occurring suggests a lack of economic (external) obsolescence. The application of the Cost Approach in the estimation of the market value in older properties and in markets with economic obsolescence is speculative due to the assumptions made on physical and functional obsolescence, which can be difficult in older properties. Market participants rarely rely on the cost approach as a method for estimating market value in older assets due to this difficulty.

Question 2: This Exposure Draft identifies depreciated replacement cost as the most common method of valuation under the Cost Approach. An alternative view is that this is the only method of applying the cost approach.

Which of these views do you support? If you believe that there are other valuation methods that fall under the Cost Approach, please describe them.
Duff & Phelps response: While we can understand that some may claim that there are multiple methods of valuation under the Cost Approach, we are of the opinion that depreciated replacement cost is the only method of applying the Cost Approach. Any other so called “method” is either a derivative or a component of the depreciated replacement cost method.

For example, one might claim that depreciated reproduction cost is another method. Our view is that the application of the depreciated reproduction cost “method” requires one to address aspects of depreciation, such as functional and technological obsolescence, in a different order. However, either “method”, if properly applied results in depreciated replacement cost. Hence, we would consider them as a singular method.

Question 3: GN8 in the 2007 edition of IVS identifies the three main types of deduction for obsolescence as physical deterioration, functional obsolescence and external obsolescence. In this Exposure Draft external obsolescence has been replaced with economic obsolescence. Supporters of the proposed change argue that the term economic obsolescence is most commonly used to describe this form of obsolescence. Those who support the existing definition argue that the term external obsolescence more clearly requires all factors that arise from changes to the environment in which the asset operates to be considered, regardless of whether they have a direct economic impact.

Which of these views do you support?

Duff & Phelps response: We typically utilize the term “economic obsolescence”. However, we do not object to the use of the term “external obsolescence”.

It may also be helpful to note that we typically refer to technological obsolescence as a specific element of obsolescence to consider. Although the 2007 edition of the IVS identifies physical deterioration, functional obsolescence and external obsolescence as the three main types of obsolescence, we do not believe that the IVS meant to exclude technological obsolescence. We assumed that the 2007 edition of the IVS considered technological obsolescence as a form of functional obsolescence. This is analogous to the external/economic obsolescence reference. Various valuation publications begin the definition of the term “economic obsolescence” by referring to factors that are external to the asset in question.

However, this question strikes us as an exercise in semantics, and really does not add anything meaningful to the valuation process. The most
important point is that all forms of depreciation and obsolescence are considered by the valuation professional when using the Cost Approach.

Further, the IVSC may consider discussing or illustrating various forms of obsolescence, as some might be specific to certain assets.

Question 4: The exposure draft provides that where the purpose of the valuation is governed by regulations that preclude adjustment for all forms of obsolescence, for example valuations for tariff setting purposes of regulated monopoly assets, the outcome does not represent market value and should not be described as such.

Do you agree that a cost approach valuation that does not identify and quantify all forms of obsolescence is not a measure of market value?

Duff & Phelps response: Yes. If all forms of obsolescence have not been identified and quantified, the resulting measure cannot be any market-based measure, such as Fair Value (FV), Fair Market Value (FMV) or Market Value (MV). The most common example of this is when economic obsolescence has not been identified and quantified. In our view, economic obsolescence must be quantified by some measure of income or by some market comparable whose parameter is income based. In performing a valuation, it is commonplace to be in a situation where a preliminary cost approach to valuation of an asset(s) has been completed; however, an assessment of the income producing potential of the asset(s) has not. In that case, the preliminary cost approach valuation is referred to as the DRCN (depreciated replacement cost new) of the asset which is subject to an evaluation and application of an adjustment for economic obsolescence. We believe that the use of the terms FV, FMV or MV is appropriate only after all elements of obsolescence have been considered.
**Supplementary Comments by Paragraph**

**Paragraph 3** - *The DRC method is a common application of the cost approach. In assessing what it might be prepared to pay for the subject asset, a potential purchaser may consider as an alternative to acquiring the subject asset, the cost to construct a similar asset having the same functionality. This represents the maximum that a potential purchaser would be prepared to pay for the subject asset if it were new at the date of valuation. Often the asset being valued will be less attractive than the alternative that could be purchased or assembled because of age or obsolescence. Where this is the case, adjustments will need to be made to the cost of the alternative asset. These adjustments are collectively known as depreciation.*

**D&P Commentary:**

We recommend that the DRC overview also mention that the cost to assemble or construct an equivalent asset also includes a contractor’s profit as well as an entrepreneurial (developer’s) profit and opportunity cost, where appropriate. Since these are important elements of the proper application of the cost approach, they need to be mentioned in the overview.

**Paragraph 4** (abbreviated) - *The DRC method is most commonly used for the valuation of specialised assets.*

**D&P Commentary:**

We recommend that the concept of specialized assets be defined. Otherwise, interpretations may differ as to what the TIP intended to address.

**Paragraph 9** - *The DRC method may also be an appropriate method when the asset has recently been acquired new or has been newly constructed.*

**D&P Commentary:**

We observe that the connotation of “replacement cost” is different when the asset is newly acquired and that in fact the reference should be to a market approach (i.e., the asset can be replaced by purchasing in the
market), rather than a cost approach. We recommend removing the reference to a newly acquired asset here.

**Paragraph 10** – *Use of the DRC method is not normally appropriate if the asset being valued is clearly redundant or obsolete as the fundamental premise of the cost approach that a buyer would require an asset of equal utility would not apply.*

**D&P Commentary:**

We are somewhat confused by this statement. If an asset is redundant or obsolete, appropriate adjustments for technological, functional and/or economic obsolescence can be made through the use of the Cost Approach. Paragraph 10 seems to imply that any redundant or obsolete asset must be valued using the Income or Market Approach; we disagree. While these two approaches should be considered (in any valuation for that matter), the Cost Approach might still be the preferred approach due to facts and circumstances. Perhaps we are misunderstanding the intent behind Paragraph 10; however, barring further clarification, we would suggest deleting this paragraph.

**Paragraph 11** (abbreviated) – *The first step in applying the DRC method is to establish the nature of the equivalent asset.*

**D&P Commentary:**

We believe that the first step in any valuation is to establish the purpose of the valuation and the basis of value. This would set the context for analyzing the nature and attributes of the equivalent asset, and assessing the necessary adjustments in the application of the cost approach.

We also recommend that “equivalent asset” be defined in this paragraph, as this is the first occurrence of this term in the TIP, rather than in the following paragraph (paragraph 12).

**Paragraph 13** (abbreviated) – *It is appropriate to use the reproduction cost in situations where the reproduction cost of the subject asset is lower than its replacement cost.*
D&P Commentary:

When applying the DRC method under the Cost Approach to arrive at a market-based value measure, one must ultimately use replacement cost not reproduction cost. It may well be that reproduction cost is equivalent to replacement cost. However, if the valuation professional finds that his estimation of reproduction cost is less than replacement cost, most likely, one of two issues is present. Either the so-called replacement cost is super-adequate to the asset in question (i.e., exceeds the functionality of the asset) or the cost trends being applied to the historical cost of the asset are not reflective of the price inflation specific to the asset. In the former case, reductions would need to be made to the super-adequate replacement cost to reflect the functional limitations of the asset in question. In the latter case, better sources of cost indices need to be identified or developed.

Paragraph 14 - Where the actual cost of acquiring or constructing the subject asset exists and there is a reliable record of cost fluctuations between the date on which this cost was fixed and the valuation date, this can be used to provide an appropriate indication of replacement cost. It should be noted however that indexation of historic costs can be inaccurate, especially over longer periods.

D&P Commentary:

We suggest changing the reference to “cost was fixed” to “cost was recorded” to avoid misinterpretations related to the nature of the costs that may have been recorded.

Paragraph 15 - Historic costs may not be a reliable guide to replacement cost as these may include costs other than those attributable to the purchase, installation and commissioning of the subject asset. Historic costs may also represent the cost attributed to the asset following a business merger or other earlier purchase rather than the original cost of creating the asset.

D&P Commentary:

We recommend that the discussion of “historic costs” in this paragraph be revised such that they are not invalidated for use in a cost approach.
Instead, the focus of the discussion should be that one needs to be aware of the composition of the costs and adjust them as appropriate.

**Paragraph 16** – *Replacement costs should capture all of the costs that would be incurred at the date of the valuation by a typical market participant seeking to create a similar asset. These costs can be broadly described as follows:*

*Direct costs such as materials, labor, freight, duty, etc.*

*Indirect costs such as design, legal and other professional costs; engineering, procurement and construction management costs; interest during construction; and entrepreneurial profit margin.*

**D&P Commentary:**

While we generally agree with this guidance, we also believe that consideration should be given to the capitalization policies of the entity involved. Unless there are extraordinary facts and circumstances to the contrary, we believe that only costs which are consistent with the capitalization policy of the plant and equipment should be considered. If certain costs are expensed as a matter of policy, we do not believe it would be appropriate to include those costs as part of the estimation of replacement cost. To do so would introduce inconsistencies from an accounting point of view. Generally, one would assume that the entity’s capitalization policy has been established (and approved by internal and external auditors) after giving due consideration to which direct and indirect costs should be included.

We also believe that one missing element of indirect costs is “opportunity cost”, which might be considered based on the facts and circumstances. This element is at times part of the entrepreneurial profit margin (which provides the economic motivation to build the asset); however, if the asset is not readily replaceable, there may be additional value from having the asset in place, ready for use. Whether this element of value is present in the measurement may depend on the basis of value used, and on the valuation premise.

This paragraph also makes reference to a “typical” market participant. The word “typical” is redundant and creates confusion. We recommend removing the reference to “typical”.
We also note that this paragraph makes reference to the “creation” of a similar asset. It may be helpful to explain, here or elsewhere in the TIP that purchasing an asset in the market and customizing it may fall either in the realm of the market approach or in the cost approach, depending on the magnitude and nature of the adjustments.

Finally, we suggest linking the notion of the interest cost to finance the creation or customization of the asset to the concept of opportunity cost. A market participant is in essence financing a portion of the lost return on the assets with the capital provided during its construction (also see comment on entrepreneurial profit below).

**Paragraph 18 - In the context of the valuation of certain assets the inclusion of an “entrepreneurial profit margin” may be warranted. This element represents the amount of economic benefit required to motivate the asset owner to create the asset. Care should be taken however to ensure that this “entrepreneurial incentive” includes only those economic benefits directly related to the subject asset. It would be inappropriate to include economic benefits that relate to any other asset(s). To the extent the economic benefit relates to a group of assets working in concert to generate income, this will likely be captured as part of goodwill.**

D&P Commentary:

We suggest expanding the discussion of entrepreneurial profit and also providing illustrations for its possible computation.

Further, an argument can be made that entrepreneurial profit represents compensation for the equity financing of the project (in contrast with the debt financing above, which gives rise to interest cost as an expression of opportunity cost). Both the equity and debt portions of opportunity cost should be considered, where market participants would finance the project with a mix of debt and equity.

**Paragraph 33 - One asset’s capacity may be limited by the capacity of another related asset and thus may be curable functional obsolescence.**

D&P Commentary:

We recommend that the guidance in this paragraph be illustrated with an example.
Paragraph 38 – Negative movements in gross margin (the difference between an operation’s revenues and the cost of the raw materials it uses) may be an indicator of economic obsolescence.

D&P Commentary:

The discussion of possible indicators of economic obsolescence in this paragraph is very limited (e.g., negative movements in gross margin). The discussion needs to be expanded upon in order to be useful to practitioners.

Paragraph 39 – Economic obsolescence can be calculated on a percentage basis by comparing the actual operating level of the asset to its rated capacity. The economic obsolescence adjustment is deducted after physical deterioration and functional obsolescence because economic obsolescence is independent of the asset(s).

D&P Commentary:

We completely disagree with these statements and strongly suggest that Paragraph 39 be removed from the Exposure Draft in its entirety. As stated in our response to Question 1, economic obsolescence must be quantified by the use of the Income and/or Market Approach at some level. Ultimately, the presence of economic obsolescence manifests itself in an insufficient level of income produced by an asset for whatever reason. Viewing obsolescence on a percentage of capacity disconnects it from the very essence of what economic obsolescence is, namely, a constrained ability to earn economic returns, due to factors external to the current use or condition of the asset.

While we recognize that a material drop in the utilization of an asset from one period of time to the next may be an indication of the presence of economic obsolescence, it is not a measure of economic obsolescence itself. The operating level of an asset as a proportion to its rated capacity is a vastly inferior substitute for the actual/expected income produced by the asset. There are a number of reasons for this. The “rated capacity” of an asset can be relative. Is the rated capacity based on an assumption of 24/7 use or something less? Certain plants may only run one shift a day for five days. Even if one can overcome the capacity definition hurdle, percentage utilized cannot be used to quantify economic obsolescence. An asset can be utilized at 100% (or more) of its rated capacity, but still be
subject to economic obsolescence. Alternatively, an asset can be utilized well below its rated capacity, and not be subject to economic obsolescence.

If one only considers the utilization of an asset, other significant and important factors are ignored. The price and profitability of the product that is produced must be considered. Everything being equal, an over-supply of a product may result in downward pricing pressures, resulting in smaller or possibly negative profits. Hence, it may be less economical or uneconomical to utilize an asset at its rated capacity. As discussed in Paragraph 32 of the Exposure Draft, capacity may be used as a scaling factor to quantify a functional obsolescence adjustment in a situation where the asset has been over-built. It should not be used to quantify economic obsolescence. The following simple example highlights the pitfalls of doing so:

Suppose that in the context of a price allocation the value of the property, plant and equipment (“PP&E”) is estimated to be $100 via the DRC method (economic obsolescence not quantified or evaluated). Based on the actual transaction price/DCF analysis/market comparables, the fair value of the business enterprise is $110. Assume separate valuations have been done of all other assets (working capital and intangibles) and they aggregate to $40. In this case (similar to the illustrative examples in the Exposure Draft), $70 ($110-$40) would be left to support the value of the PP&E. One would conclude that $30 ($100-$70) of economic obsolescence exists. As a result, the DRC would be adjusted from $100 to $70.

Now assume that one uses the method described in Paragraph 39 to determine economic obsolescence, and finds that the PP&E is being utilized at 80% of its rated capacity. Applying the 20% utilization “shortfall” as a utilization discount for economic obsolescence, one would conclude the fair value of the PP&E is $80. This would imply a bargain purchase (which presumably is not the case).

Alternatively, suppose the utilization is only 60% of capacity. Applying the same method, a PP&E fair value of $60 would result. This would imply $10 of goodwill (i.e., residual value) in a situation where significant economic obsolescence has been applied to the PP&E. This result also seems inconsistent. The problem is that the utilization percentage is an arbitrary number that does not necessarily tie into the business enterprise valuation. Only if the utilization percentage was 70% of the rated capacity, would one
get the appropriate amount of economic obsolescence. But in that case, one would get the right result for the wrong reason.

We are aware that certain valuation publications contain articles endorsing the use of utilization percentages to quantify economic obsolescence. We consider this very unfortunate since adoption of this method can result in significant valuation errors.

**Paragraph 51** – *For some assets market-derived depreciation profiles can be determined from a regression analysis of market sales prices for similar assets compared to replacement costs and capture by default the impact of all forms of obsolescence.*

**D&P Commentary:**

Theoretically we would agree if the secondary market for the asset is very liquid and robust, and the difference between an asset’s in-use value and in-exchange value is negligible due to minimal installation and other site specific soft costs. Below we address some of the pertinent issues regarding such an analysis.

First, the vast majority of used market sales price data one can find does not include corresponding replacement cost data for the asset in question. One must develop the additional replacement cost data. In addition, the used market sales price data only identifies the sales price of the asset typically. Frequently, the age of the asset is not disclosed. Hence, a number of subjective assumptions must be made in order to develop a corresponding replacement cost.

Secondly, it is fair to say that most (if not all) M&E professionals would agree that market-based depreciation curves should primarily be used. This is not surprising, given the emphasis on relevant observable data, whenever possible. Unfortunately, the use of market-based depreciation curves is rare for two reasons:

- The existence and availability of comparable, secondary market data for special purpose assets is rare or non-existent. Even if it can be found, its use has significant limitations since the secondary market provides values in an in-exchange or liquidation setting. In order to adjust these values for an in-use valuation, a number of subjective assessments (liquidation/compulsion discount, special purpose discount, magnitude and value of installation, testing, engineering and other soft costs, condition and
refurbishment history of the comparable) would have to be made, thereby significantly diluting the relevance of the secondary market data.

- The cost of sourcing market data for numerous types and number of assets that are geographically dispersed throughout the world can be cost prohibitive, especially if they represent a minority portion of the total value of the acquired assets (as is the case in this engagement).

Finally, all forms of obsolescence may not be captured if market-derived depreciation profiles are used. This is true for two reasons. First, available market data can only be identified in a used (secondary) market or liquidation setting. Use of that data would not reflect any other functional or economic obsolescence considerations of a particular asset under an in-use valuation premise. Secondly, much of the market data would consist of information that could be characterized as “spot prices”. It might be unreasonable to assume one could realize that spot price for multiple assets in a bulk sale. For an in-use situation where economic obsolescence is present, the market-derived depreciation profile may indicate a value in excess of the net realizable value of a group of assets should circumstances require the consideration of their bulk sale. In other words, the DRC of an in-use asset, after application of an economic penalty, may fall below market data “spot price” of that asset. As a result, the market-derived profile would not capture all elements of obsolescence. In this example, additional economic obsolescence would need to be removed.

**Paragraph 56** - *When a market basis of value is required it may also be necessary to consider whether the highest and best use of the subject asset is for the existing or an alternative use. If the asset potentially has a higher value for an alternative use the DRC method may not provide an appropriate measure of market value because a market participant would not be considering the cost of replacing the existing asset with an equivalent alternative but instead the economic benefits accruing from the alternative use.*

**D&P Commentary:**

We suggest rewording this paragraph to improve its clarity.

**Paragraph 57** - *An example of the above would be a specialised real property where changes in the locality since its original construction may mean that the property interest may be purchased by someone who would*
have no intention of continuing the current use but would use the site for a different purpose. Under this scenario the market value would be the higher of:

- The value of the land for the alternative use less the costs of closure, decommissioning and clearance of the existing buildings. The value of the land for the alternative use is likely to have been derived by using either a market approach or an income approach.
- The value of the whole of the specialised property derived using a DRC method, based on the cost of acquiring an equivalent alternative facility for the same use, less depreciation.

D&P Commentary:

Paragraph 56 leads into an illustration of the applicability of a DRC method when the asset has a different highest and best use, in that a market participant would not be considering the cost of replacing the existing asset (via DRC) with an equivalent alternative when the highest and best use is an alternative use. However, the example presented in paragraph 57 ultimately focuses on the valuation of land (rather than the property in the aggregate), which almost always relies on market data, and is never based on a DRC approach (except for adjusting historical cost for inflation in rare circumstances as a practical expedient). Thus the example should be reworked to illustrate the concept for an asset other than land.

Apart from the above, we believe that the illustration of the determination of highest and best use of land in paragraph 57 is incorrect. The second bullet of the comparison of the two different uses of land should not refer to the value of the “whole specialized property”, inclusive of the facility, but rather, to the value of the land in its present use. Further, the value of the land in both its present and alternative use is based on market data.

Paragraph 58 - In this example care should be taken to avoid confusing the two approaches. It is particularly important to make a clear distinction between the value of the land element of the subject asset for the alternative use derived using other valuation methods and the cost of acquiring equivalent land suitable for replacing the existing asset under the DRC method.

D&P Commentary:

Consistent with our prior observations on paragraphs 56 and 57, we note that the “cost of acquiring equivalent land” in fact requires the application of the market approach. The principle of substitutions governs both the market and cost approaches, but in this case, the only appropriate
approach for the land, in both of its uses (present and alternative) is the market approach

Illustrative examples of economic obsolescence (abbreviated) - The examples in this annexe illustrate how economic obsolescence for an asset valued using a DRC method can be measured by reference to the whole business or business unit of which it forms part.

D&P Commentary:

- Many valuation practitioners find it more intuitive to think of economic obsolescence on an enterprise level – which captures the net operating assets of the business generating the cash flows – rather than thinking about it at the equity level, which would require subtracting a form of financing from the value of the enterprise.

We recognize the fact that if properly executed, the outcome of an economic obsolescence computation should be the same, whether carried out at the business enterprise or at the equity level, yet the former is more intuitive. We also acknowledge that in the context of financial reporting, the focus may be more on the equity level; however, this represents one specific application of the DRC method and we recommend that the illustration be kept broader for the reasons above.

- We observe that the use of the term goodwill is not entirely correct when the context of the valuation is a purchase price allocation. Often there is a difference between the total amount of goodwill ultimately recorded as a result of an acquisition and the amount of goodwill (or “excess purchase price”) in a purchase price allocation that is present at the time of the valuation analysis (including when economic obsolescence is being considered).

For example, deferred taxes represent an adjustment to the goodwill balance, and the amount of such adjustment is not known until the fair values of the identifiable assets and liabilities are determined.

- Scenario 1 stipulates that there are no intangible assets in the business, yet there is goodwill that is significant relative to the business enterprise (and equity) value. From an economic perspective, goodwill captures future excess returns, or cash flows produced by future intangible assets, which are typically replacements or expansions of intangible assets currently in place. Thus the stipulation that there are no intangible assets in this scenario is not supported by the rest of the facts presented. We recommend adjusting the assumptions in the example to make it more logical.
Scenario 2 (step 3) states that “The fact pattern also indicates that there is likely to be no goodwill”; however, this is not always the case. See earlier discussion of the nature of goodwill – it captures cash flows that are expected to be generated by future intangible assets. By not properly quantifying goodwill (which can be accomplished by modeling the cash flows generated by current and future assets comprising the enterprise value), the economic obsolescence adjustment of CU 60,000,000 may be understated. In other words, if economic goodwill of CU 20,000,000 exists, then the economic obsolescence would be CU 80,000,000, which may need to be allocated to both tangible and intangible assets, as the case may be.

The examples presented are overly simplified in that an assumption is made that no identifiable intangibles exist. As we recommended earlier, the issue of economic obsolescence needs to be examined further, including in a scenario when it may need to be allocated between tangible and intangible (including identifiable intangible) assets.