



LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA  
MALAYSIAN ACCOUNTING STANDARDS BOARD



27 October 2005

Letter of Comment No: 279  
File Reference: 1204-001

The Chairman  
International Accounting Standards Board  
30 Cannon Street  
LONDON EC4M 6XH  
UNITED KINGDOM

Dear Sir David,

**IASB EXPOSURE DRAFTS OF PROPOSED AMENDMENTS TO**  
**- IFRS 3 BUSINESS COMBINATIONS**  
**- IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**  
**- IAS 37 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

The Malaysian Accounting Standards Board (MASB) appreciates the opportunity to offer its views on the following 3 Exposure Drafts of Proposed Amendments to:

- (i) IFRS 3 Business Combinations;
- (ii) IAS 27 Consolidated and Separate Financial Statements; and
- (iii) IAS 37 Provisions, Consolidated Liabilities & Contingent Assets.

We support the joint effort by the IASB and FASB to improve financial reporting while promoting the international convergence of accounting standards. We have no objections to the proposals in the 3 Exposure Drafts except with regard to the following:

**IFRS 3 Business Combinations**

- (a) Scope of the Standard

The Exposure Draft states that the Standard does not apply to formations of joint ventures and combinations involving entities or businesses under common control. Paragraph BC42 explains that the

Board will consider the accounting for these business combinations as part of the future phases of its Business Combination projects.

Apart from combinations of entities or businesses under common control, references are also made in the Basis of Conclusions to some of the work that is to be carried out in later stages. Examples are fresh start accounting and the general treatment of acquisition of asset groups as explained in paragraphs BC32 and BC41 respectively. However, the exact scope of these future phases and the time schedule for completion is not explained.

We suggest that the IASB to explain more fully its plans and provide a project timetable on this future phase of its business combination project. In addition, we believe the IASB should prioritise the development of accounting standard for combinations of entities or businesses under common control in view of the frequency of such transactions.

**(b) Definition of Fair Value**

We refer to the definition of "fair value" in paragraph 3(i) and the footnote on page 25 which explains that "The definition of fair value is based on the definition in the FASB's Proposed Statement Fair Value Measurements. The FASB plans to issue a final Statement on fair value measurements in the fourth quarter of 2005. The definition of fair value may change in that final Statement."

We are concern that the definition of fair value in the Exposure Draft is based on a proposed definition by the FASB that may be subject to further change. In addition, the wording in the definition is different from that used in other IFRSs.

We suggest that the definition of fair value to be consistent across all IFRSs to avoid confusion to users of financial statements.

**IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

**(a) Scope of the Standard**

The Exposure Draft does not prescribe how entities should describe their non-financial liabilities. It further explains that entities may therefore describe some classes of non-financial liabilities as provisions in their financial statements.

We suggest the term "provision" be removed since it is not defined in the IFRSs.

(b) Satisfying the definition of a liability

Paragraph 15 of the Exposure Draft explains that in the absence of legal enforceability, particular care is required in determining whether an entity has a present obligation that it has little, if any, discretion to avoid settling. In the case of a constructive obligation, this will be the case only if:

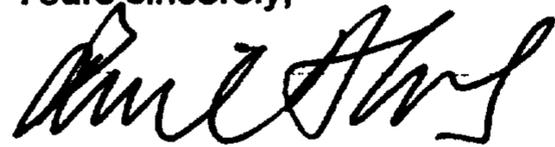
- (a) the entity has indicated to other parties that it will accept particular responsibilities;
- (b) the other parties can reasonably expect the entity to perform those responsibilities; and
- (c) the other parties will either benefit from the entity's performance or suffer harm from its non-performance.

We suggest that the IASB to provide further clarification of the phrase "reasonably expect" so as to ensure consistent application of the standard.

We hope that you will find the comments useful in your deliberation of the above Exposure Drafts.

We thank you for the opportunity to give our comments. Should you require further information, please contact Dr. Nordin, the technical director of MASB, via e-mail at [nordin@masb.org.my](mailto:nordin@masb.org.my).

Yours sincerely,



Dato' Zainal Abidin Putih  
Chairman