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To: Commentletters
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Subject: IFRS 3 Business Combinations

Letter of Comment No: 158
File Reference: 1204-001

I'like to confirm my understand as for
EXPOSURE DRAFT OF PROPOSED
Amendments to IFRS 3 Business Combinations

My name is Yasuhito fukuda.
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Example 1

Company P buys 75% share of company S under condition as follows.

.sideration(per share) : $10
Market Price(per share) : $8
Value of 1 share(*) : $9.7
* evaluated by Independent Valuator

I think Journal entry as follows.

Under current accounting principle
Dr.Net Asset 8
GW 1.5
Cr.Cash(consideration) 7.5
Minority interest 2

and
Under Exposure Draft
Dr.Net Asset 8
GW 1.7 (= $9.7 - $8)
Cr.Cash(consideration) 7.5 (= $10*75%)
Minority interest 2.2 (= $8*25% + 0.2 (GW : 1.7 -1.5))

I think this journal entry can be divided into two journal entry.

IFRS 3 Business Combinations

Journal entry for Parent company

Dr.Net Asset	6
GW	1.5 (= ($10 - $ 8)*75%
Cr.Cash(consideration)	7.5

Journal entry for minority share holders

Dr.Net Asset	2
GW	0.2
Cr.Minority interest	2.2

If this division is correct, I think example 2 could be accounted for as follows.

I' d like to confirm whether the following journal entry is correct or not.

Example 2

Company P buys 75% share of company S under condition as follows.

Consideration(per share) : $10
Market Price(per share) : $8
Value of 1 share(*) : $8.8
* evaluated by Independent Valuator

Journal entry for Parent company

Dr.Net Asset	6
GW	1.5 (= ($10 - $ 8)*75%
Cr.Cash(consideration)	7.5

Journal entry for minority share holders

Dr.Net Asset	2
Cr.Minority interest	1.3 (= $8*25% - 0.7(GW : (8.8 - 8) -1.5))
GW	0.7

Therefore, jounal entry is as follows.

Dr.Net Asset	8
GW	0.8 (= 1.5 - 0.7)
Cr.Cash(consideration)	7.5
Minority interest	1.3

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