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From: Rishi Albert [RALbert@angloplat.com]
Date: Thursday, October 27, 2005 10:15 AM
To: Commentletters
Subject: ATT:Mr. Alan Teixeira

Dear Sir,

Included herein are comments relating to the proposed amendments to IFRS 3 Business Combinations; IAS 27 Consolidated and Separate Financial Statements and IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

1. BUSINESS COMBINATIONS INVOLVING ONLY MUTUAL ENTITIES AND BUSINESS COMBINATIONS ACHIEVED BY CONTRACT ALONE.

Current practice does not apply to these types of business combinations, and the proposed IASB standards do so. This requirement will create consistency across different types of business combinations and creates proper guidance to comply with IFRS in this respect.

2. DEFINITION OF A BUSINESS COMBINATION

The proposed IASB definition is: "a transaction or other event in which an acquirer obtains control of one or more businesses", whereas current practice defines a business combination as "the bringing together of separate entities or businesses into one reporting entity." There seems to be no major difference in the definition because current practice does guide one in that **control** is achieved in a business combination. Therefore the proposed standard makes one aware that control is achieved in a business combination and the requirements of IAS 27 Consolidated and Separate Financial Statements applies.

3. DEFINITION OF A BUSINESS

The proposed definition would be broadened and apply to an integrated set of activities and assets capable of being conducted and managed for the purpose either for a return to investors, or dividends, lower costs or other economic benefits directly and proportionately to owners, members or participants. We are in agreement with the proposed definition, it provided guidance as the objective for entering into a business combination with another business. One can also argue whether the acquisition of an entity that does not meet the strict definition of a business will be excluded.

4. CONTINGENT CONSIDERATIONS

Currently this is included in the measurement of the cost of the business consideration at acquisition only if it is probable and can be reliably measured. Subsequent changes in the estimate of contingent consideration are treated as adjustments to goodwill. It's proposed that this now is recognised and measured at fair value and classified as either equity or liabilities. Only subsequent changes in the fair value of contingent considerations recognised as liabilities are to be accounted for as per IAS 39/37, with a consequential effect on profit or loss.

One should consider how to determine fair value, and whether it is a reliable measure of such a consideration. It seems that the probability and measurability criteria has been excluded from the determination of contingent considerations. Will there be guidance on the determination of fair value?

ACQUISITION COSTS

Currently part of the cost of the acquired business, proposal recommends such costs to be expensed as incurred because such costs represent payments for services. This indicates These costs are directly attributable to the business combination and a departure from current practice seems inappropriate.

6. GOODWILL

100% of the acquiree's goodwill would be recognised in the consolidated financial statements, even where less than 100% of the subsidiary is held. My understanding is that the acquirer would recognise the full amount of goodwill; however the non-controlling interest would anyway record its portion of goodwill as such. Therefore it seems that there is a more accurate disclosure of goodwill up front because a user can establish the full premium for an acquisition and what is allocated to an acquirer and a non-controlling interest.

The disclosure of the full amount of goodwill creates more useful and reliable reporting of a business combination.

7. NON-FINANCIAL LIABILITIES

It seems that there will be more liabilities reflected on the balance sheet as recommended by the proposed IAS 37. Therefore all obligations that meet the definition of a liability (present obligation of the enterprise; arising from past events; settlement which is expected to result in an outflow of resources embodying economic benefits), would be recognised, **UNLESS THEY CANNOT BE MEASURED RELIABLY**. Uncertainty about the amount or timing of the economic benefits that will be required to settle the liability would be reflected in the measurement of that liability instead of (as currently required) affecting whether it is recognised. This aligns with US GAAP.

Therefore do we exercise judgement in the determination of an amount to disclose and should one be prudent in the determination of a figure? Would relevance, and reliability not be compromised?

A rational amount could be based on past events for similar non-financial liabilities, and ones that have been transferred to a third party. Our opinion is that this creates too judgemental a view for certain non-financial liabilities and that if the reliability measurement criteria is not met, then note disclosure is still the most appropriate way to make a user aware of the uncertainty for such liabilities.

So as long as the definition of a liability has been satisfied and an obligation is unconditional, one should measure a non-financial liability at the amount that would rationally be paid to settle the present obligation of the transfer it to a third party on balance sheet (an exit value).

8. IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The proposed changes to IAS 27 are in line with the proposed changes to IFRS 3 Business Combinations.

Regards

Rishi Albert

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