

**The Leicestershire and Northamptonshire Society of Chartered
Accountants**

District Technical Advisory Committee

From a meeting held at Everards on 12 September 2005

**Exposure Draft FRED 36 Business Combinations & Accounting for
Subsidiary Undertakings**

In general:

It is felt that there is guidance in the draft that is simply not needed. The level of guidance is felt to be excessive. We are entirely moving away from principle based standards.

The guidance is too long and people will not review these in detail or fully understand it as they have not got time to read and absorb all of it.

Cannot see the point in any of these pronouncements. It is becoming less comprehensible and less meaningful to people. It is getting harder for people preparing and checking accounts to do their job therefore what chance to people looking at the accounts and trying to interpret them got?

ASB Q1 –

- (i) There is no good time, therefore there is an argument to jump in and go for the whole thing. This results in one year of chaos rather than two years of chaos. There will be more confusion if we have more standards in at different times (some consistency wouldn't do any harm – gradual implementation means lack of consistence for longer).
- (ii) See what happens under International Standards and react to that. In the hope that the UK standards get altered and comes in to little problems in a years time – this is perhaps a little optimistic.

ASB Q2 – Yes, not a bad idea. It is as the IFRS therefore we should include it as we are going to have to comply with the IFRS anyway and are trying to converge. We should be saying that the IFRS is wrong and should be changed in order to have a single treatment as the UK method is preferable.

ASB Q3 – Should be the same as the International approach. If merger accounting is not accepted on an International basis we shouldn't be trying to bring it in here.

ASB Q4 – As above. Can't cherry pick pits we do and don't like.

IASB 1 – What has been said could have been done in two paragraphs. It is unnecessarily obtuse and verbose. Just need to say you need to use acquisition accounting and that is the end of it.

IASB 2 – Yes, appropriate but more than sufficient (too long). Completely unnecessary guidance.

IASB Q3 – Does not seem sensible. Should include the applicable percentage of the assets, liabilities, goodwill etc.

IASB Q4 – Yes – excessive

IASB Q5 – Common sense says yes.

IASB Q6 – Yes appropriate.

IASB Q7 – No, costs of acquisition are part of what you pay for a business.

IASB Q8 – Part (a) does not make sense, there is some confusion over the apparent definition of fair value. The term 'fair value' appears to need defining. Part (b) is too complex.

IASB Q9 – If those provisions are there they should be used, but this is considered to be a cop out. They should all be at fair value – why make a distinction? How do you get a different value to a fair value? It is difficult to be definitive on this as it would vary from case to case.

IASB Q10 – No. This does not make sense, this is not a realised profit. Can possibly see the need if a company acquires another company in tranches and changes the original value by doing so.

IASB Q11 – Yes. Negative goodwill should be released to the profit and loss account. Do not like to see a credit go to reserves therefore it is felt that this is an appropriate treatment.

IASB Q12 – Yes, when there is recourse involved in the agreement.

IASB Q13 – Yes, as it ties in with International Standards. As a matter of principle we do not agree with the treatment but as the current International Standard on prior year adjustments stands this is appropriate. We want to see consistency between the International Standards.

IASB Q14 – This is a poor definition. If an amount has been paid it should be included in the consideration. Cannot think of many situations where consideration is paid to someone other than the acquiree.

IASB Q15 – Yes

IASB Q16 – Cannot think of any examples where this is not the case. This is not a black and white situation with any easy answer.

IASB Q17 – This is probably right. It does make sense as the acquiree gets a deferred tax advantage but does not actually get any benefit – they are just accruing for future benefits.

IASB Q18 – No preference.

IASB Q19 – Yes, this is what we are used to.

No further questions answered.