October 27, 2005

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O.Box 5116
Norwalk, CT 06856

Dear Sir/Madam,

Re: Proposed Statement of Financial Accounting Standards on Business Combinations - File Reference 1204-001

Question 1 – Are the objectives and definition of a business combination appropriate for accounting for all business combinations? If not, for which business combinations are they appropriate, why would you make an exemption, and what alternatives do you suggest?

For the above question, I believe that the objective, definition and the scope of the business combination as mentioned in the exposure draft is appropriate.

As mentioned in the paragraphs 1 and 2 and further described in paragraphs 52-58, "The statement requires that all business combinations be accounted for by applying the acquisition method. A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. In accordance with the acquisition method, the acquirer measures and recognizes the acquiree, as a whole and the assets acquired and liabilities assumed at their fair values as of the acquisition date".

In current practice, and in conformity with Statement 141, a business combination occurs when a corporation acquires net assets that constitute a business or gains a position of equity interest in one or more other entities and gains control over those entities. But Statement 141, does not take into consideration the transactions in which control is obtained through ways other than as an acquisition of net assets or equity interest. Whenever control is obtained and cannot be lost without the acquiescence of the acquirer, the controlled entity should be consolidated without exception.

Question 2 – Are the definition of a business and the additional guidance appropriate and sufficient for determining whether the assets acquired and the liabilities assumed constitute a business? If not, how would you propose to modify or clarify the definition or additional guidance?

For the above question, I agree with the Board's broadening of the definition of a business, especially the expansion beyond the notion of earning a direct return to investors.

As described in paragraph 3(d) and A2-A7, "A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing either a return to investors, or dividends, lower costs, or other

economic benefits directly and proportionately to owners, members or participants".

According to the definition of EITF No.98-3, the definition of a business includes "determining whether a non monetary transaction involves receipt of productive assets or of a business". As a result of this broadening modification, more acquisitions of development stage enterprises would and *should* be accounted as business combinations rather than as asset acquisitions.

Sincerely,

Kithmini S. DeLisle