Exposure Draft of Proposed Amendments to IFRS 3, Business Combinations

Dear Mr. Teixeira


Novartis is in agreement with this letter’s comments except that we have the following preferred option to Question 10 concerning how to account for the adjustment on taking control of a previously acquired non-controlling interest.

We consider that it is inappropriate to record the full adjustment straight to the income statement.

Since the full identified tangible and intangible assets and liabilities need to be consolidated following obtaining control, the consolidated results post-obtaining control will be 100% charged with the depreciation and amortization on those, typically stepped-up assets.

We therefore suggest that instead of recording the full step-up to fair value on the existing non-controlling stake to the income statement that it should initially be recorded in equity and recycled to the income statement over the period at which the assets are being depreciated or amortized. We consider that this will produce a fairer presentation of the impact of acquiring control.

Yours sincerely,

NOVARTIS INTERNATIONAL AG

M.B. Cheetham

M. Kaeser