28 October 2005

Alan Teixeira
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
London
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Dear Mr Teixeira

Exposure Drafts of Proposed Amendments to IFRS 3 Business Combinations and IAS 27
Consolidated and Separate Financial Statements

We are responding to the invitation to comment on the above exposure drafts.

BG’s main concern with these proposals is that they have been issued in exposure draft without any proper consultation with constituents. With wide-ranging conceptual changes of this nature, we would expect that a discussion paper would be produced so that views could be obtained in advance of the drafting of an exposure draft. In particular, these proposals appear to be changing interpretations of the Framework in advance of any discussions which may be held as a result of the joint project with the FASB on The Conceptual Framework.

Our particular concerns with these proposals centre around the way in which the IASB’s Framework has been interpreted to arrive at a particular solution whilst introducing inconsistent applications of the same Framework as well as inconsistencies with other standards. The qualitative characteristic of ‘Reliability’ as set out in the Framework appears to have been sacrificed for an attempt to value ‘the economic resources’ an entity controls in the event of a business combination. As a result, the proposals introduce potentially significant subjectivity to the measurement of balance sheet items and undermine the basis of preparation of the accounts for most UK/EU preparers i.e. historical cost principles.

We disagree with the fundamental change in approach which will result in business combinations being measured on the basis of the fair value of the acquiree as a whole rather than the consideration paid. In our view, the consideration paid is a far more reliable value to place on the business acquired. The resulting impact of the proposals on the recognition and measurement of goodwill is likely to result in grossing up of the balance sheet for the estimated goodwill, essentially a balancing figure. The uncertainty surrounding this asset is magnified because in many circumstances it is difficult to determine the fair value of the business as a whole, particularly when the acquisition is for less than 100% of the entity. The fair value of an incremental stake is likely to be completely unrepresentative of the fair value of the business as a whole and to pro-rate in this way is misleading.

Further, the proposals require the recognition of ‘contingent’ obligations and assets, regardless of whether any transfer of benefits is possible or whether these items can be measured reliably. This is a fundamental change to the way in which assets and liabilities are currently accounted for and is likely to result in inconsistencies in the recognition and measurement of these items. This will undermine the reliability of financial information, at considerable cost to investors and other users.

Accordingly, we believe that these proposals will reduce, rather than enhance, the reliability and understandability of reported results.
We highlight the following specific concerns over the inconsistency between aspects of the proposed changes and existing principles:

- the proposed recognition of certain assets (including both intangible assets and contingencies) and liabilities (including both contingencies and contingent consideration) is inconsistent with the requirements in the Framework that assets and liabilities must be capable of being measured reliably;

- the proposed requirement to expense all transaction costs is inconsistent with the requirements in IAS 16 and IAS 38 to capitalise certain costs incurred in the acquisition of property, plant and equipment and intangible assets respectively.

Our responses to the specific questions set out in the invitation to comment are attached.

Yours sincerely

Lloyd Pitchford
Group Financial Controller
Proposed amendments to IFRS 3

Question 1—Objective, definition and scope

The proposed objective of the Exposure Draft is:

...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 (the acquiree). In accordance with the acquisition method, the acquirer measures and recognises the acquiree, as a whole, and the assets acquired and liabilities assumed at their fair values as of the acquisition date. [paragraph 1]

The objective provides the basic elements of the acquisition method of accounting for a business combination (formerly called the purchase method) by describing:

(a) what is to be measured and recognised. An acquiring entity would measure and recognise the acquired business at its fair value, regardless of the percentage of the equity interests of the acquiree it holds at the acquisition date. That objective also provides the foundation for determining whether specific assets acquired or liabilities assumed are part of an acquiree and would be accounted for as part of the business combination.

(b) when to measure and recognise the acquiree. Recognition and measurement of a business combination would be as of the acquisition date, which is the date the acquirer obtains control of the acquiree.

(c) the measurement attribute as fair value, rather than as cost accumulation and allocation. The acquiree and the assets acquired and liabilities assumed would be measured at fair value as of the acquisition date, with limited exceptions. Consequently, the consideration transferred in exchange for the acquiree, including contingent consideration, would also be measured at fair value as of the acquisition date.

The objective and definition of a business combination would apply to all business combinations in the scope of the proposed IFRS, including business combinations:

(a) involving only mutual entities

(b) achieved by contract alone

(c) achieved in stages (commonly called step acquisitions)

(d) in which the acquirer holds less than 100 per cent of the equity interests

(e) in the acquiree at the acquisition date.

(See paragraphs 52-58 and paragraphs BC42-BC46 of the Basis for Conclusions.)

Question 1—Are the objective and the definition of a business combination appropriate for accounting for all business combinations? If not, for which business combinations are they not appropriate, why would you make an exception, and what alternative do you suggest?

BG Response

BG disagrees with aspects of objectives (a) and (c). We believe that there is a significant risk that the proposals will result in the recognition of assets and liabilities in the balance sheet which cannot be reliably measured (and hence do not comply with the definitions in the Framework), resulting in reduced, rather than enhanced, reliability and understandability in financial statements.
Question 2—Definition of a business

The Exposure Draft proposes to define a business as follows:

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing either:

(1) a return to investors, or
(2) dividends, lower costs, or other economic benefits directly and proportionately to owners, members, or participants. [paragraph 3(d)]

Paragraphs A2-A7 of Appendix A provide additional guidance for applying this definition. The proposed IFRS would amend the definition of a business in IFRS 3. (See paragraphs BC34-BC41.)

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?

BG Response

BG considers that further examples of activities that would be considered to be businesses under this definition would be useful. In particular, it should be made clear whether the acquisition of a single asset would be considered to be a ‘business’. It would also be useful to have further guidance on the applicability of IFRS 3 on the accounting for acquisitions of shares in jointly controlled assets and entities.

Questions 3-7—Measuring the fair value of the acquiree

The Exposure Draft proposes that in a business combination that is an exchange of equal values, the acquirer should measure and recognise 100 per cent of the fair value of the acquiree as of the acquisition date. This applies even in business combinations in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at that date. In those business combinations, the acquirer would measure and recognise the non-controlling interest as the sum of the non-controlling interest’s proportional interest in the acquisition-date values of the identifiable assets acquired and liabilities assumed plus the goodwill attributable to the non-controlling interest. (See paragraphs 19, 58 and BC52-BC54.)

Question 3—In a business combination in which the acquirer holds less than 100 per cent of the equity interests of the acquiree at the acquisition date, is it appropriate to recognise 100 per cent of the acquisition-date fair value of the acquiree, including 100 per cent of the values of identifiable assets acquired, liabilities assumed and goodwill, which would include the goodwill attributable to the non-controlling interest? If not, what alternative do you propose and why?

BG Response

BG does not agree with this proposal. The fair value of a business cannot be pro-rated to establish the fair value of 100%. We believe that in an acquisition for less than 100% of the entity it is unrealistic to expect an acquirer to determine a realistic value for the whole of the business and attempt to divide it between the controlling and non-controlling interest. In recognising the full amount of goodwill associated with the business, we do not believe this provides additional information to an investor in the acquirer’s business. It appears to result in an asset recognised in the Group’s balance sheet, namely goodwill, which is essentially a balancing number but which has been grossed up to reflect a non-controlling interest’s share. BG’s view is that this treatment reduces the reliability and understandability of the reported balance sheet rather than adding to it.

Question 4

The Exposure Draft proposes that a business combination is usually an arm’s length transaction in which knowledgeable, unrelated willing parties are presumed to exchange equal values. In such transactions, the fair value of the consideration transferred by the acquirer on the acquisition date is the best evidence of the fair value of the acquirer’s interest in the acquiree, in the absence of evidence
to the contrary. Accordingly, in most business combinations, the fair value of the consideration transferred by the acquirer would be used as the basis for measuring the acquisition-date fair value of the acquirer’s interest in the acquiree. However, in some business combinations, either no consideration is transferred on the acquisition date or the evidence indicates that the consideration transferred is not the best basis for measuring the acquisition-date fair value of the acquirer’s interest in the acquiree. In those business combinations, the acquirer would measure the acquisition-date fair value of its interest in the acquiree and the acquisition-date fair value of the acquiree using other valuation techniques. (See paragraphs 19, 20 and A8-A26, Appendix E and paragraphs BC52-BC89.)

Question 4—Do paragraphs A8-A26 in conjunction with Appendix E provide sufficient guidance for measuring the fair value of an acquiree? If not, what additional guidance is needed?

BG Response

This guidance would most frequently apply to acquisitions of less than 100% of the share capital of the acquiree under the proposals in the exposure draft. BG’s view is that it is not appropriate to recognise the full fair value of the acquiree by grossing up goodwill (see response to question 3 above), but to recognise only the value of the acquirer’s interest in the acquiree. If this approach is adopted, the instances in which the value of the consideration paid differs from the value of the acquired interest will be much reduced.

Subject to this caveat, BG welcomes the inclusion of guidance on measuring the fair value of an acquiree. We would also welcome a broader consideration of fair value measurement issues in financial reporting generally, into which this guidance should be integrated.

Question 5

The Exposure Draft proposes a presumption that the best evidence of the fair value of the acquirer’s interest in the acquiree would be the fair values of all items of consideration transferred by the acquirer in exchange for that interest measured as of the acquisition date, including:

(a) contingent consideration;
(b) equity interests issued by the acquirer; and
(c) any non-controlling equity investment in the acquiree that the acquirer owned immediately before the acquisition date.
(See paragraphs 20-25 and BC55-BC58.)

Question 5—Is the acquisition-date fair value of the consideration transferred in exchange for the acquirer’s interest in the acquiree the best evidence of the fair value of that interest? If not, which forms of consideration should be measured on a date other than the acquisition date, when should they be measured, and why?

BG Response

In general, BG agrees that the acquisition date fair value of the consideration transferred is the best evidence for the fair value of that interest.

We would, however, express concern over the proposal to include the fair value of contingent consideration, irrespective of the ability to measure it reliably and of the probability that it will be paid.

Contingent consideration terms are generally used by buyers and sellers precisely because they have differing views on the fair value of the acquired business. The fair value which the acquirer ascribes to the contingent consideration may therefore differ from that which the seller, and third parties, might ascribe, and hence be potentially misleading. BG recommends that the requirement in the Framework that any liability must be capable of being reliably measured is retained.

In addition, and consistent with our responses to the proposed changes to IAS 37, BG believes that it is not desirable for liabilities to be recognised even when it is highly unlikely that any outflow of benefits will occur. The amounts recognised in such circumstances are likely to be highly subjective and unrepresentative of the most likely outflow of benefits ultimately required to settle the obligation.
Question 6
The Exposure Draft proposes that after initial recognition, contingent consideration classified as:
   (a) equity would not be remeasured.
   (b) liabilities would be remeasured with changes in fair value recognised in profit or loss unless those liabilities are in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or [draft] IAS 37 *Non-financial Liabilities*. Those liabilities would be accounted for after the acquisition date in accordance with those IFRSs.

(See paragraphs 26 and BC64-BC89.)

*Question 6—Is the accounting for contingent consideration after the acquisition date appropriate? If not, what alternative do you propose and why?*

**BG Response**

Subject to the points raised in answer 5, BG does not have any objections to the proposed treatment.

Question 7
The Exposure Draft proposes that the costs that the acquirer incurs in connection with a business combination (also called acquisition-related costs) should be excluded from the measurement of the consideration transferred for the acquiree because those costs are not part of the fair value of the acquiree and are not assets. Such costs include finder’s fees; advisory, legal, accounting, valuation and other professional or consulting fees; the cost of issuing debt and equity instruments; and general administrative costs, including the costs of maintaining an internal acquisitions department. The acquirer would account for those costs separately from the business combination accounting. (See paragraphs 27 and BC84-BC89.)

*Question 7—Do you agree that the costs that the acquirer incurs in connection with a business combination are not assets and should be excluded from the measurement of the consideration transferred for the acquiree? If not, why?*

**BG Response**

BG does not agree with the proposed treatment, for two reasons:

1. As noted in question 5, BG agrees that the best indication of fair value of the assets acquired is the fair value of the consideration given. From the seller’s point of view, this will exclude transaction costs, because the seller receives no benefit from them. However, from the acquirer’s point of view, the value of the acquired business must be sufficient to offset both the consideration given, and the transaction costs, otherwise the acquirer would not proceed with the purchase. The financial statements show the results and financial position of the acquirer and therefore the transaction costs should be capitalised with the assets acquired.

2. The proposed treatment is inconsistent with the treatment of transaction costs for acquiring other assets such as property, plant and equipment. BG believes that transaction costs should be treated in the same way as costs directly attributable to the acquisition of items of property, plant and equipment (cf IAS16, paragraphs 15-19).

Questions 8 and 9—Measuring and recognising the assets acquired and the liabilities assumed

The Exposure Draft proposes that an acquirer measure and recognise as of the acquisition date the fair value of the assets acquired and liabilities assumed as part of the business combination, with limited exceptions. (See paragraphs 28-41 and BC111-BC116.) That requirement would result in the following significant changes to accounting for business combinations:

   (a) Receivables (including loans) acquired in a business combination would be measured at fair value. Therefore, the acquirer would not recognise a separate valuation allowance for uncollectible amounts as of the acquisition date.
(b) An identifiable asset or liability (contingency) would be measured and recognised at fair value at the acquisition date even if the amount of the future economic benefits embodied in the asset or required to settle the liability are contingent (or conditional) on the occurrence or non-occurrence of one or more uncertain future events. After initial recognition, such an asset would be accounted for in accordance with IAS 38 Intangible Assets or IAS 39 Financial Instruments: Recognition and Measurement, as appropriate, and such a liability would be accounted for in accordance with [draft] IAS 37 or other IFRSs as appropriate.

Question 8—Do you believe that these proposed changes to the accounting for business combinations are appropriate? If not, which changes do you believe are inappropriate, why, and what alternatives do you propose?

BG Response

(a) BG notes that this proposal would result in inconsistency of treatment between acquired and internally generated receivables.

(b) As noted in question 5 above, BG believes that it is not desirable for liabilities or assets to be recognised even when it is highly unlikely that any outflow of benefits will occur. The amounts recognised in such circumstances are likely to be highly subjective and unrepresentative of the most likely outflow of benefits ultimately required to settle the obligation. We have raised this issue in our comment letter on proposed changes to IAS 37.

Question 9

The Exposure Draft proposes limited exceptions to the fair value measurement principle. Therefore, some assets acquired and liabilities assumed (for example, those related to deferred taxes, assets held for sale, or employee benefits) would continue to be measured and recognised in accordance with other IFRSs rather than at fair value. (See paragraphs 42-51 and BC117-BC150.)

Question 9—Do you believe that these exceptions to the fair value measurement principle are appropriate? Are there any exceptions you would eliminate or add? If so, which ones and why?

BG Response

BG believes these exceptions are appropriate.

Questions 10-12—Additional guidance for applying the acquisition method to particular types of business combinations

The Exposure Draft proposes that, for the purposes of applying the acquisition method, the fair value of the consideration transferred by the acquirer would include the fair value of the acquirer’s non-controlling equity investment in the acquiree at acquisition date that the acquirer owned immediately before the acquisition date. Accordingly, in a business combination achieved in stages (step acquisition) the acquirer would remeasure its non-controlling equity investment in the acquiree at fair value as of the acquisition date and recognise any gain or loss in profit or loss. If, before the business combination, the acquirer recognised changes in the value of its non-controlling equity investment directly in equity (for example, the investment was designated as available for sale), the amount that was recognised directly in equity would be reclassified and included in the calculation of any gain or loss as of the acquisition date. (See paragraphs 55, 56 and BC151-BC153.)

Question 10—Is it appropriate for the acquirer to recognise in profit or loss any gain or loss on previously acquired non-controlling equity investments on the date it obtains control of the acquiree? If not, what alternative do you propose and why?
BG Response

BG does not believe that this approach is appropriate as it will result in gains and losses in the profit and loss account which do not arise from a disposal transaction. It would be more appropriate to measure the non-controlling equity investment at carrying value when determining the consideration transferred by the acquirer.

Question 11

The Exposure Draft proposes that in a business combination in which the consideration transferred for the acquirer’s interest in the acquiree is less than the fair value of that interest (referred to as a bargain purchase) any excess of the fair value of the acquirer’s interest in the acquiree over the fair value of the consideration transferred for that interest would reduce goodwill until the goodwill related to that business combination is reduced to zero, and any remaining excess would be recognised in profit or loss on the acquisition date. (See paragraphs 59-61 and paragraphs BC164-BC177.) However, the proposed IFRS would not permit the acquirer to recognise a loss at the acquisition date if the acquirer is able to determine that a portion of the consideration transferred represents an overpayment for the acquiree. The boards acknowledge that an acquirer might overpay to acquire a business, but they concluded that it is not possible to measure such an overpayment reliably at the acquisition date. (See paragraph BC178.)

Question 11—Do you agree with the proposed accounting for business combinations in which the consideration transferred for the acquirer’s interest in the acquiree is less than the fair value of that interest? If not, what alternative do you propose and why?

BG Response

BG agrees with the proposal.

Question 12

Question 12—Do you believe that there are circumstances in which the amount of an overpayment could be measured reliably at the acquisition date? If so, in what circumstances?

BG Response

BG does not believe that overpayments can be measured reliably at the balance sheet date.

Question 13—Measurement period

The Exposure Draft proposes that an acquirer should recognise adjustments made during the measurement period to the provisional values of the assets acquired and liabilities assumed as if the accounting for the business combination had been completed at the acquisition date. Thus, comparative information for prior periods presented in financial statements would be adjusted, including any change in depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting. (See paragraphs 62-68 and BC161-BC163.)

Question 13—Do you agree that comparative information for prior periods presented in financial statements should be adjusted for the effects of measurement period adjustments? If not, what alternative do you propose and why?

BG Response

BG considers that any measurement period adjustments should be made prospectively as they are similar to changes in accounting estimates, rather than errors or adjustments arising from a change in accounting policy.
Question 14—Assessing what is part of the exchange for the acquiree

The Exposure Draft proposes that an acquirer assess whether any portion of the transaction price (payments or other arrangements) and any assets acquired or liabilities assumed or incurred are not part of the exchange for the acquiree. Only the consideration transferred by the acquirer and the assets acquired or liabilities assumed or incurred that are part of the exchange for the acquiree would be included in the business combination accounting. (See paragraphs 69, 70, A87-A109 and BC154-BC160.)

Question 14—Do you believe that the guidance provided is sufficient for making the assessment of whether any portion of the transaction price or any assets acquired and liabilities assumed or incurred are not part of the exchange for the acquiree? If not, what other guidance is needed?

BG Response

BG considers the guidance to be adequate for this purpose, however we would recommend that in the case of transactions accounted for separately from the business combination, reference is made to the paragraphs in existing standards which should be followed.

Question 15—Disclosures

The Exposure Draft proposes broad disclosure objectives that are intended to ensure that users of financial statements are provided with adequate information to enable them to evaluate the nature and financial effects of business combinations. Those objectives are supplemented by specific minimum disclosure requirements. In most instances, the objectives would be met by the minimum disclosure requirements that follow each of the broad objectives. However, in some circumstances, an acquirer might be required to disclose additional information necessary to meet the disclosure objectives. (See paragraphs 71-81 and BC200-BC203.)

Question 15—Do you agree with the disclosure objectives and the minimum disclosure requirements? If not, how would you propose amending the objectives or what disclosure requirements would you propose adding or deleting, and why?

BG Response

BG agrees.

Questions 16-18—The IASB’s and the FASB’s convergence decisions

The Exposure Draft is the result of the boards’ projects to improve the accounting for business combinations. The first phase of those projects led to the issue of IFRS 3 and FASB Statement No. 141. In 2002, the FASB and the IASB agreed to reconsider jointly their guidance for applying the purchase method of accounting, which the Exposure Draft calls the acquisition method, for business combinations. An objective of the joint effort is to develop a common and comprehensive standard for the accounting for business combinations that could be used for both domestic and cross-border financial reporting. Although the boards reached the same conclusions on the fundamental issues addressed in the Exposure Draft, they reached different conclusions on a few limited matters. Therefore, the IASB’s version and the FASB’s version of the Exposure Draft provide different guidance on those limited matters. A comparison, by paragraph, of the different guidance provided by each board accompanies the draft IFRS. Most of the differences arise because each board decided to provide business combinations guidance that is consistent with its other standards. Even though those differences are candidates for future convergence projects, the boards do not plan to eliminate those differences before final standards on business combinations are issued.

The joint Exposure Draft proposes to resolve a difference between IFRS 3 and SFAS 141 relating to the criteria for recognising an intangible asset separately from goodwill. Both boards concluded that an intangible asset must be identifiable (arising from contractual-legal rights or separable) to be recognised separately from goodwill. In its deliberations that led to SFAS 141, the FASB concluded
that, when acquired in a business combination, all intangible assets (except for an assembled workforce) that are identifiable can be measured with sufficient reliability to warrant recognition separately from goodwill. In addition to the identifiability criterion, IFRS 3 and IAS 38 required that an intangible asset acquired in a business combination be reliably measurable to be recognised separately from goodwill. Paragraphs 35-41 of IAS 38 provide guidance for determining whether an intangible asset acquired in a business combination is reliably measurable. IAS 38 presumes that the fair value of an intangible asset with a finite useful life can be measured reliably. Therefore, a difference between IFRS 3 and SFAS 141 would arise only if the intangible asset has an indefinite life. The IASB decided to converge with the FASB in the Exposure Draft by:

(a) eliminating the requirement that an intangible asset be reliably measurable to be recognised separately from goodwill; and

(b) precluding the recognition of an assembled workforce acquired in a business combination as an intangible asset separately from goodwill. (See paragraphs 40 and BC100-BC102.)

Question 16—Do you believe that an intangible asset that is identifiable can always be measured with sufficient reliability to be recognised separately from goodwill? If not, why? Do you have any examples of an intangible asset that arises from legal or contractual rights and has both of the following characteristics:

(a) the intangible asset cannot be sold, transferred, licensed, rented, or exchanged individually or in combination with a related contract, asset, or liability; and

(b) cash flows that the intangible asset generates are inextricably linked with the cash flows that the business generates as a whole?

BG Response

BG disagrees with the recommendation to remove the reliable measurement recognition criterion for intangible assets acquired in a business combination. This would create assets which are not consistent with the definition in the Framework, as well as introducing a potentially high number of assets onto an entity’s balance sheet which cannot be reliably measured.

Moreover, one of the stated motivations for the proposal to introduce the full goodwill method is to resolve a perceived inconsistency between the current accounting for acquisitions in which less than all of the equity interest is acquired and the Framework (Basis for Conclusions, paras 135-6). To override the Framework in respect of other intangible assets would run contrary to the objective of avoiding inconsistencies between individual standards and the Framework.

Question 17

For the joint Exposure Draft, the boards considered the provisions of IAS 12 Income Taxes and FASB Statement No. 109 Accounting for Income Taxes, relating to an acquirer’s deferred tax benefits that become recognisable because of a business combination. IAS 12 requires the acquirer to recognise separately from the business combination accounting any changes in its deferred tax assets that become recognisable because of the business combination. Such changes are recognised in post-combination profit or loss, or equity. On the other hand, SFAS 109 requires any recognition of an acquirer’s deferred tax benefits (through the reduction of the acquirer’s valuation allowance) that results from a business combination to be accounted for as part of the business combination, generally as a reduction of goodwill. The FASB decided to amend SFAS 109 to require the recognition of any changes in the acquirer’s deferred tax benefits (through a change in the acquirer’s previously recognised valuation allowance) as a transaction separately from the business combination. As amended, SFAS 109 would require such changes in deferred tax benefits to be recognised either in income from continuing operations in the period of the combination or directly to contributed capital, depending on the circumstances. Both boards decided to require disclosure of the amount of such acquisition-date changes in the acquirer’s deferred tax benefits in the notes to the financial statements. (See paragraphs D4 and BC119-BC129.)

Question 17—Do you agree that any changes in an acquirer’s deferred tax benefits that become recognisable because of the business combination are not part of the fair value of the acquiree and should be accounted for separately from the business combination? If not, why?
BG Response

We are not sure that this approach is consistent with the presumption that the fair value of consideration transferred is the best indicator of fair value in the acquiree. We consider that fair value of consideration transferred should also include any deferred tax benefit that becomes recognisable as a result of the business combination as it is likely to be considered by the acquirer when determining an appropriate purchase price. In other words, we consider that the approach currently adopted by SFAS 109 is more appropriate.

Question 18

The boards reconsidered disclosure requirements in IFRS 3 and SFAS 141 for the purposes of convergence. For some of the disclosures, the boards decided to converge. However, divergence continues to exist for some disclosures as described in the accompanying note *Differences between the Exposure Drafts published by the IASB and the FASB*. The boards concluded that some of this divergence stems from differences that are broader than the Business Combinations project.

*Question 18—Do you believe it is appropriate for the IASB and the FASB to retain those disclosure differences? If not, which of the differences should be eliminated, if any, and how should this be achieved?*

BG Response
BG agrees that these differences should be retained until resolved as part of a broader convergence project.

Question 19—Style of the Exposure Draft

The Exposure Draft was prepared in a style similar to the style used by the IASB in its standards in which paragraphs in bold type state the main principles. All paragraphs have equal authority.

*Question 19—Do you find the bold type-plain type style of the Exposure Draft helpful? If not, why? Are there any paragraphs you believe should be in bold type, but are in plain type, or vice versa?*

BG Response
BG has no objections to this style.