



Australian Government
Australian Accounting
Standards Board

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20 February 2014

Mr Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Wayne

Tentative agenda decision - IFRS 3 *Business Combinations* - identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 *Consolidated Financial Statements* in a stapling arrangement

The AASB is pleased to respond to the IFRS Interpretations Committee's tentative decision (published in the January 2014 IFRIC Update) not to add to its agenda a request to clarify the interaction of the requirements in IFRS 3 *Business Combinations* (as revised in 2008) for identifying an acquirer with the requirements in IFRS 10 *Consolidated Financial Statements* for deciding whether control exists.

The AASB agrees with the IFRS Interpretations Committee's observation that:

- the definition of a business combination in IFRS 3 includes transactions in which none of the combining entities or businesses is identified as having control of the other combining entities; and
- notwithstanding the above, paragraph 6 of IFRS 3 requires that one of the combining entities in a business combination is identified as the acquirer.

The AASB also agrees with the Interpretations Committee's observation that the IASB's statement on the interaction between IFRS 3 (issued in 2004) and IAS 27 remains valid in respect of the interaction between IFRS 3 (as revised in 2008) and IFRS 10. Further, the AASB agrees that the combining entity in the stapling arrangement that is identified as the acquirer for the purpose of IFRS 3 (as revised in 2008) should prepare consolidated financial statements of the combined entity in accordance with IFRS 10.

However, the AASB would like to reiterate to the Committee that the issue above is not confined to stapling arrangements, but is a broader issue that could impact business combinations achieved by contract alone. We would encourage the Committee to consider documenting the decision to include these types of business combinations to help avoid diversity in practice.

If you have any questions on the comments above, please contact me or Kala Kandiah (kkandiah@asb.gov.au).

Yours sincerely,

Kevin M. Stevenson
Chairman and CEO