

Australian Accounting Standards Board  
600 Bourke Street

Melbourne, VIC 3000  
Australia

Weinheim, 08 May 2009

Dear Sir or Madam,

**Re: Discussion Paper "Initial Accounting for Internally Generated Intangible Assets"**

We appreciate the opportunity to comment on the AASB's discussion paper (DP) on initial accounting for internally generated intangible assets.

The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents the vast majority of family-owned small and medium-sized companies in Germany, often legally organized in the form of partnerships. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international accounting more visible and to act as a constructive partner for the standard setters. We work closely together with the Accounting Standards Board of Germany and the Institute of German Certified Public Accountants (IDW) as well as further political institutions.

Already today, application of IFRSs is widely spread among our member companies and an important number of members are currently considering a voluntary first time application of IFRSs. The unforeseeable current developments and the huge number of unsettled questions on the conceptual level – especially regarding fair value measurement – have proven to be the major obstacle to the application of IFRSs throughout the last months.

For that reason we do not agree with the proposals regarding the initial accounting for internally generated intangible assets. In the DP the AASB adduces reasons for the adoption of the principles and guidance specified in IFRS 3 and IAS 38 for assessing recognition matters concerning internally generated intangible assets. From our point of view, internally generated intangibles cannot be compared with those acquired in a business combination. It is our understanding that the separate recognition of identifiable assets acquired in a business combination (including intangible

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assets that were internally generated by the acquiree) is decision-useful to the users of consolidated financial statements as the information helps them assess the appropriateness of the consideration transferred and hence even has some kind of stewardship function. Eventually, the recognition of the assets is based on a consideration transferred that really exists and therefore the basis for calculation does not rest upon arbitrary assumptions. In contrast, a technique based on a hypothetical business combination cannot provide decision-useful information to that extent as the information and the underlying assumptions are only to be justified in the context of an actual business combination and an existing consideration transferred. Instead, the proposed model would involve additional assumptions and uncertainties and therefore lead to less decision-usefulness and reliability.

Another distinctive shortcoming of the proposal is the plan to adopt a valuation-based measurement model. It is a particular characteristic of internally generated intangible assets that in most instances there are no observable market prices for those kinds of assets. As a consequence, the fair values of the vast majority of such intangibles would have to be estimated using measurement techniques. Thereby, the model eminently depends on the quality of the assumptions the calculation is based on and in the majority of cases will lead to unreasonable uncertainties and biased or even arbitrary fair value measures. With a view to the financial crisis we would like to point out that national and international standard setters should turn to a more careful use of fair value measurement and rather focus on prudent recognition and measurement of assets and liabilities.

Regarding presentation issues it is our view that in particular a management commentary should provide information about internally generated intangible assets whereas the information displayed in the financial statements (even the notes) should rather present reliable and understandable information.

Overall, we do not think that the DP provides an adequate starting point for further deliberations and would recommend the AASB to consider further in-depth research on the subject, especially regarding alternative approaches not yet discussed.

Kind regards,

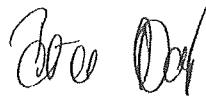
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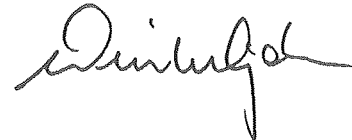
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