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Mr Alan Teixeira
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Our reference: RME/CM
By mail and
by email:commentletters@iasb.org

Dear Mr Teixeira,

Exposure Draft of Proposed Amendments to IAS 3 – Business Combinations (ED)

I am writing to you to outline the Australian Institute of Company Directors' (AICD) views on the ED.

The AICD is the peak organisation representing the interests of company directors in Australia. Current membership is over 20,000 drawn from large and small organisations, across all industries, and from private, public and the not-for-profit sectors. The AICD has had a standing policy committee focusing on financial and other reporting issues for over twenty years.

The AICD has a number of reservations about the proposals in the ED which involve a fundamental change in this area. AICD also believes that if the changes proposed by the ED eventuate, the IASB will need to allow for a lengthy transition period and may need to work with local standards setters on a significant education campaign.

The Australian market is particularly affected by the proposals in the ED because of the large number of unlisted reporting entities which are required to make the transition to International Financial Reporting Standards.

In particular, AICD is concerned about the proposed amendments in relation to determining the fair value of the business combination and the move away from cost of acquisition as the basis of measurement. The effect of the proposals is to exclude costs directly attributable to a business combination, such as professional fees paid to consultants and stamp duties arising on the transfer of assets. These costs are currently capitalised under IFRS 3 and AICD considers it is inappropriate for these costs to be expensed, as they are directly attributable to the business being acquired. Similarly, AICD is concerned with the proposal that subsequent changes in the fair value of contingent consideration would not be adjusted against the business acquisition – as contingent consideration affects the amount paid on the business combination and accordingly should be reflected in the underlying business being acquired.

Please contact me if you have any questions in connection with this letter.

Yours sincerely,

Ralph Evans
Chief Executive Officer

C.C. Professor David Boymal, Chairman, Australian Accounting Standards Board
Mr Warren McGregor, IASB
Mr Michael Coleman, Chairman AICD Reporting Committee