




20 April 2005

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Dear David

**Invitation to Comment: The Definition of "Contribution by Owners"**

Thank you for the opportunity to comment on the Definition of "Contribution by Owners", as contained in AASB 3 *Business Combinations*. Our comments have been prepared in consultation with members through our Financial Reporting and Governance Centre of Excellence.

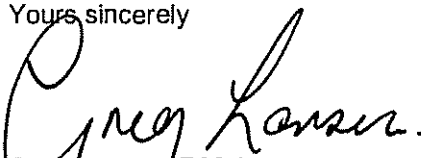
We support the AASB in its drafting of this Invitation to Comment as part of its due process in trying to ensure clarity and consistency in practice.

In reviewing the issue raised in the Invitation to Comment, we see no reason why business combinations under common control should apply different principles to account for an excess of an acquirer's interest, as compared with entities not under common control. We consider that AASB 3 *Business Combinations*, paragraph 56 contains clear and unambiguous requirements for accounting for this excess. Consequently, we recommend that paragraph Aus56.1 in AASB 3 be removed.

If the definition of contribution by owners is useful to the public sector and not-for-profit entities, we are not adverse to keeping it for this purpose only. The definition could be included in AASB 1004 *Contributions*. However, it cannot be assumed that not-for-profit entities are not taxable entities and hence retaining the definition of contributions by owners for not-for-profit entities may have the same implications as is currently the case for for-profit entities. We caution the AASB in having different definitions for for-profit and not-for-profit entities because the UIG's plans in rewriting Draft UIG Interpretation 1052 *Tax Consolidation Accounting* may still be impacted by the not-for-profit definition.

Should you have any queries on our comments, please contact either myself or Patricia McBride on Tel: 03 9606 9770 or Email: [Patricia.McBride@cpaustralia.com.au](mailto:Patricia.McBride@cpaustralia.com.au)

Yours sincerely

  
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