

22.7/8/1

7 July 2004

Sir David Tweedie  
Chairman  
IASB  
30 Cannon Street  
London EC4M 6XH

Dear Sir David,

RE: IFRS 3: COMBINATIONS BY CONTRACT ALONE OR INVOLVING MUTUAL ENTITIES

UNICE has carefully examined the afore-mentioned exposure draft and would like to offer the following comments and concerns:

- Combinations by contract alone or involving mutual entities had been excluded from the scope of ED3; IAS 22 was meant to apply under such circumstances until the IASB has defined the conditions in which the purchase method had to apply to such combinations; because UNICE believes in the careful development of accounting requirements that are acceptable in all situations, UNICE had approved the proposed temporary scope exclusion; in UNICE's view there was therefore no need to rush out a modification of an IFRS published only one month before the exposed amendment was issued; the proper study that the IASB announced in the exposure draft needs to be carried out before IFRS 3 is amended;
- UNICE believes that the accounting treatment of acquisition costs as proposed is not consistent with the cost basis that prevails in IFRS 3; those costs should be capitalised as they are supposed to reflect the synergies resulting from the combination. Considering the accounting treatment proposed, those synergies are valued at the minimum value they may have; to propose to expense them would be valid if there was a risk that they may be overestimated;
- UNICE believes that backdating the implementation of a new standard or amendment is wrong standard-setting practice. Implementation of a new standard or amendment should not be required at any date before issuance of the final standard.

For the reasons explained above, we recommend IASB to withdraw the amendment proposals.

We remind at your disposal should you wish to discuss this matter any further.

Yours sincerely,



Jérôme P. Chauvin  
Director, Company Affairs Department