

16 July 2004

International Accounting Standard Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Submission on Exposure Draft: Amendments to IFRS 3 Business  
Combinations: Combinations by Contract Alone or Involving Mutual  
Entities**

I agree that business combinations by contract alone should be brought within the scope of IFRS 3. However, the peculiar implementation of the control criteria in IFRS 3 – one inappropriately justified by the argument of substance over form – means that the result of doing so will not improve the quality of financial reports. I believe that rather than tinkering with IFRS 3 the Board should have addressed the significant flaws in the requirements of IFRS 3.

To me, the application of control under IFRS 3 cannot be justified on substance over form. The assumption that control should be identified with management teams rather than entities is untenable. Over time the identification of management teams with a particular entity will change, and logically – if the argument underlying IFRS 3 correct – this must be reflected by a change in control, and hence a reapplication of IFRS 3.

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I believe the only way to overcome the problems with IFRS 3 is to abandon the current approach to the recognition of business combinations and adopt the fresh start approach. This will remove the need to engage in unending arguments about how to apply the concept of control in a particular case. Past experience suggests that the resolution of such arguments by the Board will only exacerbate the problems faced by both preparers and users of financial reports.

If technical staff of the Board wish to discuss any matter raised in the submission I can be contacted either by email:

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Yours truly,

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CC Australian Accounting Standards Board