April 4, 2003

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

Dear Sirs,

Exposure Draft 3 Business Combinations and Proposed Amendments IAS 36

Thank you for giving me the opportunity of commenting on the exposure draft 3 Business Combinations and Proposed Amendments IAS 36. I'm very pleased to have this chance.
I'm very interested in accounting standard of ED3 Business Combinations and almost agree to basic concepts of ED3. However I think it will have various problems for applying to actual situation.

In particular I would like you to consider the following points regarding acquisition date of purchase method and early application in ED3.

Exposure Draft 3 Business Combinations

1, Acquisition date

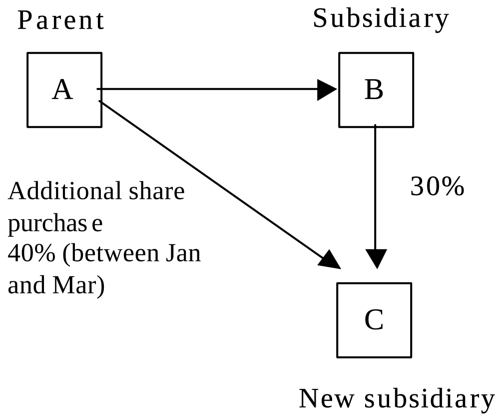
Assumptions;	1, Closing date of A (Parent company)	March 31
	2, Closing date of B (100% Subsidiary of A)	December 31
	3, Closing date of C	December 31
	4, Parent company adopts IAS27 par.19 and 20.	

Purchase method starts from the acquisition date according to ED3 par.16 (d) and 38 and ED3 par.66 (i) requires to disclose the amount of acquiree's profit or loss since the acquisition date.
(Case 1): If B has a business combination between January and March, how is it accounted for in consolidated financial statements of A as of Mach 31?

(Case 2): If A purchases 100% shares of C between January and March, which can parent company apply either IAS27 par.19 and 20 or acquisition date of ED3 in that situation?

(Case 3): If the C becomes a consolidated subsidiary in Group A between January and March such as next illustration, how is C treated after additional share purchase by A in consolidated financial statements as of March 31? (C has been accounted for by equity method under B on the base of December 31 before)

(Illustration)



2, Early application

If a group consists of two-sub groups and it elects to apply ED3 about only one-sub group before effective date, is it possible or not?

<u>Proposed Amendments IAS 36</u>

Question 4 – Allocating goodwill to cash-generating units

If management of parent company monitors the return on some investments as one cash-generating units on consolidation base and impairment loss which is already recognized in separate financial statement of one subsidiary can be offset on consolidation base, should it be reversed on consolidation base?

I hope that my comment will be helpful for your discussion on ED3 Business Combinations and Proposed Amendments IAS 36.

Yours sincerely,

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