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Virginia BEJARANO VÁZQUEZ
Universidad Nacional de Educación a Distancia (UNED) SPAIN.
e-mail: vbejarano@cee.uned.es

Enrique VILLANUEVA
Universidad Complutense of Madrid (UCM) SPAIN
e-mail: enriquev@ccee.ucm.es

Comments to question N. 5.

First of all we want to remind you that paragraph 71 of IAS 22 recognises that :

1. It is very unprobable that these provisions would require to be adjusted. This is because its recognition implies the existence of a formal and detailed plan for restructuring which must include the costs to be incurred.
2. Most importantly, the adjusting item, as is usual, is the goodwill or negative goodwill. Have you thought about the effects of the proposals contained in ED-3 on this item?.

We think that if we have been working with this procedure (because we have been convinced of its reliability) there is no reason to change. If the reason is because there is an inconsistency between IAS 22 y37, the standard comes into effect in 1998, and from then on, nothing has happened. So, where is the problem of its manteinance?.

Furthermore, IAS 22 and 37 refers to different situations (this relates to paragraph 40 of ED-3):

While under IAS 37, the operations refer only to one party, under IAS 22 there are two or more parties implied: the acquirer and the acquiree, previously independents, and if the acquiree was previously a "going concern", this entity should not recognise liabilities like those set up in paragraph 31 of IAS 22 at its balance sheet. In our opinion there is an inconsistency between the nature of this liabilities and the going concern.

(Related to paragraphs BC55-BC66) We are in agreement with the opinion of those who defend that the acquiring entity will have discounted from the acquisition price, the effects of future losses and other costs related to the future conduct of the business.

In our country, and we are sure that we are not the unique, this happens every day, independently of whether it has been made up to seem what it is not.

But if we defend that one of the most important objective of Accounting is to reflect the reality underlying the economic events, are we going to be honest with this principle if the standard does not allow us to take them into account?.

Finally, remind that we are talking about business combinations and, thus, someone is acquiring "control" over another party. That means preacquisition negociations almost certainly need to exist, so the requirement related to the recognition of the liability at the acquisition date will be very easy to fill. The acquiring entity can compel someone over whom it is going to acquire control in order to reflect this kind of liability in its balance sheet.