30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410   Fax: +44 (0)20 7246 6411
E-mail: iasb@iasb.org   Website: www.iasb.org

International
Accounting Standards
Board

INFORMATION FOR OBSERVERS

Board Meeting:	**21 May 2008, London**
Project:	**Annual Improvements Process**
Subject:	**IAS 38 - Additional Consequential Amendments arising from the Revised IFRS 3 (Agenda paper 5C)**

Proposed amendments

1. In the second phase of the business combinations project, the Board decided that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure reliably the fair value of the asset.

2. When the revised IFRS 3 *Business Combinations* was published, some related consequential amendments were made to IAS 38 *Intangible Assets* to reflect that decision. However, the staff has identified additional amendments that are needed to reflect clearly the Board's decisions on the accounting for intangible assets acquired in a business combination. The staff recommends that the Board make additional consequential amendments to IAS 38 to clarify that:

a. an intangible asset must be recognised separately from goodwill even if it is separable only together with a related contract, identifiable asset, or liability.

b. if an intangible asset is separable only together with another intangible asset, those assets can be recognised together as a single asset.

c. if the individual assets in a group of complementary intangible assets have similar useful lives, those assets can be recognised together as a single asset.

3. The appendix contains the proposed drafting for those amendments.

4. Does the Board agree with the proposed amendments to IAS 38?

Effective date and transition provision

5. Ideally, the effective date of the proposed amendments to IAS 38 would be the same as the effective date of the revised IFRS 3—1 July 2009. That would allow entities to apply all of the amendments to IAS 38 arising from the business combinations project at the same time. Otherwise there might be confusion about how paragraphs 36 and 37 relate to the Board's decision that all identifiable intangible assets can be measured reliably.

6. The staff understands that, if the Board adopts the proposed project timetable for the next Annual Improvement Process, the plan is to issue an exposure draft in August 2008 and finalised amendments on 1 April 2009 (see Agenda Paper 5A). If the Board aligns the effective date of the proposed amendments to IAS 38 with the effective date of the revised IFRS 3, this would provide a three-month period for entities to implement the amendments.

7. Although that would be a short implementation period, the staff believes that it would be acceptable given the limited nature of the proposed amendments (ie that we are clarifying the Board's decisions in the business combinations project, rather than changing the guidance) and the prospective application to business combination transactions after the effective date. In addition, the staff notes that (assuming that the Board agrees with the recommendation in Agenda Paper 5A) the proposed final wording for the amendments would be available on the website before the Board publishes the exposure draft.

8. The staff recommends that:

   a. the Board proposes an effective date of 1 July 2009 in the exposure draft and allows respondents to comment on whether that is feasible. Consistent with the transition specified in paragraph 130C of IAS 38 for all other consequential amendments related to the revised IFRS 3, entities would be required to apply the amendments prospectively from the effective date.

   b. if an entity applies (or has applied) the revised IFRS 3 for an earlier period, it be **permitted** (but not required) to apply the proposed amendments to IAS 38 for that earlier period. The staff does not believe that it is appropriate to require retrospective application because that might involve the use of hindsight in determining the fair values of intangible assets at the date of a past business combination.

   The drafting in the appendix reflects these recommendations.

9. If the Board does not support that recommendation, the staff has identified the following options:

   a. An effective date after 1 July 2009 (consistent with the implementation period generally provided in the Annual Improvements package). An entity would be permitted to apply the amendments retrospectively to business combinations occurring after it adopted the revised IFRS 3. This would be consistent with the implementation for any additional consequential amendments related to the revised IFRS 3 not yet identified at this time.

   b. Issue the amendments to IAS 38 in a separate exposure draft. The exposure draft would likely be issued at the end of June/early July (to allow time for the balloting process). Given the limited nature of the proposed amendments, the Board might decide on a comment period of 60 days. The comment letter analysis could be presented to the Board in October and the final amendments issued in December 2008. This would provide constituents with a six-month period to implement the amendments before their effective date of 1 July 2009.

10. Does the Board agree that (1) the effective date of the proposed amendments should be 1 July 2009 (to align with the effective date of the revised IFRS 3) and (2) if an entity chooses to apply the revised IFRS 3 for an earlier period, it may elect to apply the proposed amendments for the earlier period?

[Appendix omitted from observer note].