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To: IASB

Annette Kimmit, Senior Project Manager

CC:

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Following are my comments on the Exposure Draft of Proposed Amendments to IFRS 3 "Business Combinations":

QUESTION 1

I agree with the removal of these two scope exclusions from IFRS 3.

But in my view, the proposed method of dealing with these types of business combinations, cannot be considered as satisfactory, even as an interim one.

- It contains some features of the Purchase method : identification of an acquirer and an acquiree, evaluation of the acquiree at net fair values and not according to its nominal Balance Sheet.
- But also from the Pooling-of-Interests method : costs directly attributable to the combination should be treated as expenses.
- Also, in the case of a combination of mutual entities, its approach to Goodwill is artificial:
 - Any consideration involved is automatically treated as Goodwill
 - No consideration involved automatically means no Goodwill
 - "Negative goodwill" is excluded by design and therefore the method ignores by decree the various actual and very real situations that may lead to it, as those are laid out in IFRS 3 paragraph 57.

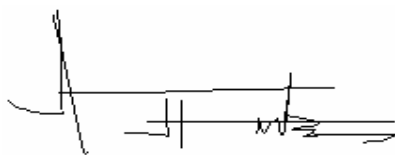
In all, there is not a clear guiding principle for the method founded in economic reality, and so it cannot be considered an improvement over the current situation. It produces an equal amount of inconsistency in financial reporting.

Recommendation

I understand the identification of an acquirer and an acquiree as a crucial categorization pertaining to the real world, describing effectively who has control over the combined entity, and not just as an initial technical step for the application of an accounting method. Once a type of combination is included in IFRS 3, it is obligatory to cope with any difficulties and determine what is the actual situation regarding control of the combined entity. In both the discussed types of combinations, this identification is, too, considered a sine-qua-non (BC8 of the proposed amendment). Given this, no special modifications in applying the next steps of the Purchase method should be granted. Difficulties and complications, as well as measurability issues in applying the arithmetic of the Purchase method arise in many other types of combinations – there appear to be no special reasons why these two specifically should be treated in a modified way.

QUESTION 2

I agree with the proposal that no amendments should be made to the transitional and effective dates in IFRS 3.



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