



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

September 28, 2016

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2016/1 Definition of a Business and Accounting for Previously Held Interests Proposed amendments to IFRS 3 and IFRS 11

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on **ED/2016/1 Definition of a Business and Accounting for Previously Held Interests Proposed amendments to IFRS 3 and IFRS 11**. Overall, we support the improvements to the clarification of the definition of a business as well as a clear guidance to the acquisitions of interests in businesses that are joint operations. Also, we agree the proposed transition requirement. However, we have some concerns over the screening test and we propose that additional guidance should be provided when making judgment on the assessment whether replacing a process is disruptive or costly.

Please find our responses to the specific questions raised in **ED/2016/1 Definition of a Business and Accounting for Previously Held Interests Proposed amendments to IFRS 3 and IFRS 11** in an attachment. We believe that this proposed amendment will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Studying and Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



Exposure Draft ED/2016/1 Definition of a Business and Accounting for Previously Held Interests Proposed amendments to IFRS 3 and IFRS 11

Question 1

The Board is proposing to amend IFRS 3 to clarify the guidance on the definition of a business (see paragraphs B7–B12C and BC5–BC31). Do you agree with these proposed amendments to IFRS 3?

In particular, do you agree with the Board’s conclusion that if substantially all the fair value of the gross assets acquired (ie the identifiable assets and non-identifiable assets) is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities and assets is not a business (see paragraphs B11A–B11C)?

Why or why not? If not, what alternative would you propose, if any, and why?

FAP: We generally agree with the proposed clarification of the definition of a business as they will help narrow down the definition of a business, and we agree with the Board’s conclusion that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable assets or group of similar assets, then the acquired assets is not a business. We believe this will result in more consistent application, and the screening test approach may help entities distinguish between a business acquisition and an asset acquisition to more efficiently identify transactions that are clearly asset acquisitions. However, we are concerned that the screening test may result in some transactions being considered as asset transactions when going through the screening test but meet the proposed definition and considered as transactions involving businesses. So we propose that the screening test is optional and a reporting entity are permitted to apply the framework if it would be more efficient or result in a conclusion that better reflects the economics of a particular transaction.

In addition, regarding the amendments in IFRS 3, paragraph B12B(a), the assessment whether replacing a process is disruptive or costly may require judgement in some cases. We propose that the IASB provides additional guidance for making that judgement. Agree with the proposed scope of the draft Interpretation.

Question 2

The Board and the FASB reached substantially converged tentative conclusions on how to clarify and amend the definition of a business. However, the wording of the Board’s proposals is not fully aligned with the FASB’s proposals.

Do you have any comments regarding the differences in the proposals, including any differences in practice that could emerge as a result of the different wording?

FAP: In general, we do not believe the different wording will lead to any significant differences in practice between IFRS and US GAAP. However, according to BC 15, the IASB’s proposal to exclude “return in the form of lower costs or other economic benefits” from the definition of output may lead to different identification of a business from US



GAAP. This is because the FASB's exposure draft paragraph 805-10-55-3A still includes "return in the form of lower costs or other economic benefits".

Question 3

To address diversity of practice regarding acquisitions of interests in businesses that are joint operations, the Board is proposing to add paragraph 42A to IFRS 3 and amend paragraph B33C of IFRS 11 to clarify that:

- (a) on obtaining control, an entity should remeasure previously held interests in the assets and liabilities of the joint operation in the manner described in paragraph 42 of IFRS 3; and
- (b) on obtaining joint control, an entity should not remeasure previously held interests in the assets and liabilities of the joint operation.

Do you agree with these proposed amendments to IFRS 3 and IFRS 11? If not, what alternative would you propose, if any, and why?

FAP: We agree with the IASB's proposal as this will improve the clarity of the standards and will create consistency because the proposal provides a clear guidance whether the entity should remeasure previously held interests or not.

Question 4

The Board is proposing the amendments to IFRS 3 and IFRS 11 to clarify the guidance on the definition of a business and the accounting for previously held interests be applied prospectively with early application permitted.

Do you agree with these proposed transition requirements? Why or why not?

FAP: We agree with the IASB's proposal that the amendments be applied prospectively because it would be consistent with the transition approach of IFRS 3 paragraph 64.